Regis Healthcare Limited – Preliminary Final Report (Appendix 4E) for the year ended 30 June 2018

The Prior Corresponding Period (PCP) is 1 July 2016 to 30 June 2017

The Directors of Regis Healthcare Limited (the 'Company') announce the audited results of the consolidated group for the year ended 30 June 2018 as follows:

Results for announcement to the market Extracted from 30 June 2018 Annual Financial Report	**FY2018 $'000**	**Movement $'000 (PCP)**	**Movement % (PCP)**
Revenue from ordinary activities	594,397	28,914	+5%
Profit from ordinary activities attributable to members	53,869	(7,232)	-12%
Net profit attributable to members	53,869	(7,232)	-12%

Dividend Information	**Amounts per security (cents)**	**Franked amounts per security (cents)**	**Tax Rate for Franking**
Final dividend per security (to be paid 26 September 2018)	8.65	8.65	30%
Total Dividends per security for the year	17.93	17.93	30%

Final dividend dates	
Ex-dividend date	11 September 2018
Record date	12 September 2018
Payment date	26 September 2018

	FY2018	**FY2017**
Net tangible assets[1] per security	(99.17) cents	(87.28) cents

[1] Net tangible assets is calculated as Net Assets (including net deferred tax Assets / liabilities) less intangible assets.

This report is based on the 2018 Annual Financial Report, which has been audited by Ernst & Young.

Other information required by Listing Rule 4.3A

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the notes to the 2018 Annual Financial Report.

Signed by

Martin Bede, Company Secretary

31 August 2018

REGIS HEALTHCARE LIMITED

ABN 11 125 203 054

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

regis healthcare

FINANCIAL REPORT CONTENTS

CORPORATE INFORMATION

DIRECTORS

Graham K Hodges	Chairman, Non-Executive Director
Ross J Johnston	Managing Director and CEO
Christine C Bennett	Non-Executive Director
Bryan A Dorman	Non-Executive Director
Sylvia Falzon	Non-Executive Director
Matthew J Quinn	Non-Executive Director
Ian G Roberts	Non-Executive Director

COMPANY SECRETARY

Martin Bede

REGISTERED OFFICE

Level 2, 615 Dandenong Road,
Armadale VIC 3143

PRINCIPAL PLACE OF BUSINESS

Level 2, 615 Dandenong Road
Armadale VIC 3143

SHARE REGISTRY

Link Market Services Limited
Level 1, 333 Collins St
Melbourne VIC 3000
Phone: 1300 554 474

STOCK EXCHANGE LISTING

Regis Healthcare Limited shares are listed on the Australian Securities Exchange (ASX code: REG).

SOLICITORS

Herbert Smith Freehills
101 Collins Street
Melbourne VIC 3000

AUDITORS

Ernst & Young Australia
8 Exhibition St
Melbourne VIC 3000

DIRECTORS' REPORT

Your directors present their report on Regis Healthcare Limited (the Company) and its controlled entities (the Group) for the financial year ended 30 June 2018.

DIRECTORS

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

- Bryan Dorman
- Sylvia Falzon
- Ross Johnston
- Ian Roberts

The following persons were appointed as directors during the financial year and continue in office at the date of this report:

- Christine Bennett AO (appointed 1 March 2018)
- Graham Hodges (appointed 25 August 2017)
- Matthew Quinn (appointed 1 March 2018)

Trevor Gerber and Mark Birrell were directors from the beginning of the financial year until their resignations on 1 November 2017 and 30 June 2018 respectively.

NAMES AND QUALIFICATIONS

GRAHAM HODGES – *Independent Non-Executive Director*

Graham holds a Bachelor of Economics (Hons) degree from Monash University

Special responsibilities:

- Chairman of the Board since 1 July 2018
- Member of the Audit, Risk & Compliance Committee since 1 November 2017 (Chairman of the Committee from 1 November 2017 to 30 June 2018)
- Member of the Remuneration and Nomination Committee since 1 November 2017

ROSS JOHNSTON – *Managing Director and Chief Executive Officer*

Ross holds a Diploma of Building and a Diploma of Quantity Surveying from the Royal Melbourne Institute of Technology.

Special responsibilities:

- None

CHRISTINE BENNETT AO – *Independent Non-Executive Director*

Professor Bennett is a specialist paediatrician and a Fellow of the Royal Australasian College of Physicians

Special responsibilities:

- Chairman of the Remuneration and Nomination Committee since 1 July 2018 (Member of the Committee since 1 March 2018)

MARK BIRRELL – *Independent Non-Executive Director*

A Fellow of the Australian Institute of Company Directors, Mark holds a Bachelor of Economics and Bachelor of Laws and was admitted to practice as a Barrister and Solicitor in 1983.

Special responsibilities:

- Chairman of the Board until 30 June 2018
- Member of the Audit, Risk and Compliance Committee until 30 June 2018
- Member of the Remuneration and Nomination Committee until 30 June 2018

BRYAN DORMAN – *Non-Executive Director*

Bryan holds a Bachelor of Business (Accounting) and was a partner of a Melbourne accounting firm, Rees Partners, from 1977 until 2000.

Special responsibilities:

- Member of the Audit, Risk and Compliance Committee

SYLVIA FALZON – *Independent Non-Executive Director*

Sylvia holds a Masters in Industrial Relations and Human Resource Management (Hons) from the University of Sydney and a Bachelor of Business degree from the University of Western Sydney. She is a senior fellow of the Financial Services Institute of Australasia and is a fellow of the Australian Institute of Company Directors.

Listed company directorships (last 3 years)

- Perpetual Limited (November 2012 to present);
- SAI Global Limited (October 2013 to December 2016);
- Premier Investments Limited (appointed 16 March 2018); and
- Suncorp Group Limited (Effective 1 September 2018).

Special responsibilities:

- Member of the Remuneration and Nomination Committee (Chairman of the Committee until 30 June 2018)
- Chairman of the Audit, Risk and Compliance Committee since 1 July 2018 (Member of the Committee prior to appointment as Chairman)

TREVOR GERBER – *Independent Non-Executive Director*

Trevor is a member of the Institute of Chartered Accountants in Australia and holds a Bachelor of Accountancy from the University of the Witwatersrand, South Africa.

Trevor is also a director of the following listed companies:

- CIMIC Group Limited (appointed 11 June 2014);
- Tassal Group Limited (appointed 4 April 2012);
- Vicinity Centres Limited (appointed 11 June 2015); and
- Sydney Airport Limited (appointed 5 April 2002).

Special responsibilities:

- Member of the Audit, Risk and Compliance Committee until 1 November 2017 (Chairman of the Committee until 1 November 2017)
- Member of the Remuneration and Nomination Committee until 1 November 2017.

MATTHEW QUINN – *Independent Non-Executive Director*

Matthew holds a first class honours in Chemistry and Management Science from Imperial College, London. He is a qualified Chartered Accountant. Matthew is also a director of the following listed companies:

- CSR Limited (2013 to present);
- Chairman of Carbonxt Group Limited (2013 to present)
- Class Limited (2015 to present, Chairman February 2017 to present)

Special responsibilities:

- Member of the Audit, Risk and Compliance Committee since 1 March 2018
- Member of the Remuneration and Nomination Committee since 1 July 2018

IAN ROBERTS – *Non-Executive Director*

Ian holds a Bachelor of Science (Surveying) from the Royal Melbourne Institute of Technology.

Special responsibilities:

- Member of the Remuneration and Nomination Committee

INTERESTS IN THE SHARES OF THE GROUP

As at the date of this report, the interests of the directors in the ordinary shares of Regis Healthcare are the same as those disclosed in section E (v) of the Remuneration Report.

COMPANY SECRETARY

Martin Bede is a lawyer with considerable experience in both private practice and in-house legal roles. Martin holds a Bachelor of Laws and Bachelor of Commerce from the University of Melbourne and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

PRINCIPAL ACTIVITIES

The Group's principal activity during the year was the provision of residential aged care services. No significant changes occurred to these activities during the year.

OPERATING AND FINANCIAL REVIEW

As at 30 June 2018, the Group owned and operated 60 aged care facilities, had 6,753 operational places and provided services in 7 States and Territories.

Regis Business Model

Regis aims to provide high quality care to meet the growing needs of Australia's elderly population in a profitable manner. This is achieved through a focus on the following five core areas:

- **Vertical integration**: The spectrum of activities Regis undertakes includes; analysis of each proposed facility's catchment area, site identification, site/facility acquisition, brownfield/greenfield development, facility operation and asset renewal.
- **Strong cash flow generation**: Regis aims to achieve and maintain strong cash flow from operations, which it augments with a focus on the receipt and profitable use of Refundable Accommodation Deposits (RADs). The Group leverages its RAD cash inflows from developments to facilitate the repayment of acquisition and development related debt.
- **High quality portfolio**: Regis' facilities are primarily located in metropolitan areas with high median house prices. The facilities are typically modern with a high proportion of single rooms and an emphasis on lifestyle and supported living.
- **Scalable platform:** Regis has invested in scalable business processes supported by IT systems, and in-house resources to facilitate growth via acquisitions and developments.
- **Focused and well-resourced risk management:** Regis has robust systems and processes in place to manage the business' operational risks, including those that relate to aged care legislative compliance and health and safety.

Review and Results of Operations

During the 2018 financial year, Regis continued to execute on its growth strategy as follows:

- The Presbyterian Care Tasmania business was acquired on 1 August 2017. The business consisted of three aged care facilities located in Hobart and Launceston comprising 287 aged care places, a small retirement village and some home care packages; and
- The opening of 501 operational places at four new facilities (Chelmer (Qld), Burnside (SA), Woodlands (WA) and Nedlands (WA)) during the year.

A summary of financial results for the year ended 30 June 2018 is below:

	2018 $'000	2017 $'000	% GROWTH
Reported[1] Revenue	594,397	565,483	5.1%
Reported[1] Profit after tax for the year	53,869	61,101	(11.8%)
Normalised[1] Profit after tax for the year	56,948	61,101	(6.8%)
Normalised[1] Earnings Per Share	18.95 cents	20.34 cents	(6.8%)

For the year ended 30 June 2018, the Group's reported profit after income tax was $53,869,000 (2017: $61,101,000).

The normalised profit after tax of the Group for the year ended 30 June 2018 is $56,948,000. This normalised financial information is provided to assist readers to better understand the financial performance of the underlying business and is summarised in the table below. Broadly, improvements in earnings from greenfield developments in the later stages of ramp up, income initiatives and strong cost controls were offset by mobilisation costs associated with newly opened facilities, occupancy pressures in the first half of the year and the increased impact of the Government funding cuts to residential aged care.

	2018 $'000	2017 $'000
Reported[1] Profit after tax for the year	**53,869**	**61,101**
Acquisition related expenses[2]	3,079	-
Normalised[1] Profit after tax for the year	**56,948**	**61,101**

Cash flow and Capex

The Group's principal sources of funds were cash flow from operations (including RADs) and the utilisation of existing bank facilities. Net cash flows from operating activities in FY2018 were $133,838,000 (2017: $151,052,000).

RAD, accommodation bond and ILU/ILA entry contribution net inflows were $62,647,000.

During the year, The Group invested $245,670,000 in capital expenditure for:

- The acquisition of Presbyterian Care Tasmania;
- The development of new facilities;
- Significant Refurbishment of existing facilities; and
- Ongoing maintenance capital expenditure at our existing facilities.

During the year, the Group increased the capacity and tenor of its existing syndicated bank debt facilities and secured a new $25,000,000 bilateral overdraft facility. Total commitments have increased by $170,000,000 to $540,000,000.

The Group's cash position and available debt facilities are expected to provide sufficient liquidity to meet the Group's currently anticipated cash flow requirements.

[1] The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Normalised earnings have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

[2] During FY2018, Regis acquired Presbyterian Care Tasmania. One off acquisition related costs of $3,079,000 after tax ($3,913,000 pre tax) were incurred as part of these transactions which included Government charges (stamp duty, GST and land registration fees), professional fees and legal expenses.

Development activity

Regis is continuing to drive growth through its greenfield development program and through expanding and reconfiguring its existing portfolio of facilities and retirement villages.

During the year, construction was completed at the following facilities:

- Chelmer, Queensland (opened in December 2017, 120 operational places)
- Burnside, South Australia (opened February 2018, 117 operational places)
- Woodlands, Western Australia (opened April 2018, 123 operational places)
- Nedlands, Western Australia (opened June 2018, 141 operational places)

Construction at Lutwyche, Queensland (130 operational places), Port Coogee, Western Australia (139 operational places) and Elermore Vale, New South Wales (120 operational places) has been completed post the year end with Lutwyche admitting their first residents in August 2018 and Port Coogee and Elermore Vale expected to admit their first residents in September 2018.

SIGNIFICANT EVENTS AFTER BALANCE SHEET DATE

No matters or circumstances have arisen since the end of the financial year to the date of this report which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No changes in the state of affairs arose during the year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

DIVIDENDS

	2018 $'000	2017 $'000
Dividends on ordinary shares declared and paid during the year		
Final 2017 Dividend: 10.04 cents per share, 100% franked (2016: 5.94 cents per share, 100% franked)	30,156	17,841
Interim 2018 Dividend: 9.28 cents per share, 100% franked (2017: 10.3 cents per share, 100% franked)	27,890	30,936
Total amount	**58,046**	**48,777**
Declared after year end		
Final 2018 Dividend: 8.65 cents per share, 100% franked (2017: 10.04 cents per share, 100% franked)	25,994	30,169

The financial effect of the proposed final 2018 dividend has not been brought to account in the consolidated financial statements for the year ended 30 June 2018 and will be recognised in subsequent financial reports.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group's growth strategy continues to include the following four levers:

1. Expansion of its greenfield development program
2. Single facility acquisitions
3. Expansion and reconfiguration of existing facilities
4. Portfolio acquisition opportunities as they arise.

Other than the likely developments disclosed above and elsewhere in this report, no matters or circumstances have arisen which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of the affairs of the Group in future financial years.

KEY BUSINESS RISKS

The following risks identified by the Company represent threats to the Company's growth strategy. The Company has a risk management framework in place to manage the risks identified.

The regulatory framework may change

The Australian Aged Care industry is highly regulated by the Federal Government.

Regulatory change to the aged care industry may have an adverse impact on the way Regis promotes, manages and operates its facilities, and on its financial performance.

The introduction of new legislation or changes in Government policies in relation to any or all of the existing legislation, including fees and charges, may adversely impact Regis' financial performance and future prospects.

Regis' RADs level may fluctuate

The value of Regis' RADs (formerly known as Accommodation Bonds) may fluctuate due to a range of factors. RADs are refunded after a Resident's departure. While individual RADs are generally replaced in a short period of time, often with a RAD of equal or higher value, Regis is exposed to risks associated with repayment, and future sale, of RADs.

These risks may include regulatory changes that limit Regis' ability to sell replacement or new RADs, issues at a specific facility, which could require Regis to repay a large number of RADs, and general economic conditions which impact on the price that can be achieved for new RADs. Economic conditions include, but are not limited to, a decline in residential property prices, lower levels of personal wealth or deterioration of market conditions in the areas surrounding Regis' facilities.

The effect of these risks may be that the value and number of new RADs Regis receives may be reduced and it may take longer for Regis to reach agreement with new Residents or collect RADs.

Occupancy levels may fall

In the ordinary course of its business, Regis faces the risk that occupancy levels at any of its individual facilities may fall below expectations due to a number of factors, including reputational damage and loss of accreditation. Reduced occupancy levels at a number of facilities may adversely affect Regis' revenue and general financial performance as it would reduce the amount of funding Regis is entitled to, and the number and value of RADs.

Facilities may lose their approvals or accreditation

Aged care facilities are required to hold approvals and be accredited in various ways, including clinical care requirements. These approvals are generally subject to periodic review, and may be revoked in certain circumstances. Aged care facilities need approvals and accreditations to attract funding. If Regis does not comply with regulations and is unable to secure accreditation for the operation of its aged care facilities and Resident places in the future, or if any of its existing approvals are adversely amended or revoked, this may adversely impact Regis' financial performance.

Further, if Regis is required to undertake facility refurbishments or make significant structural changes to facility buildings in order to retain its approvals or accreditations, the cost of those works may impact its profitability.

Regis' reputation may be damaged

Regis operates in a commercially sensitive industry in which its reputation could be adversely impacted should it or the aged care industry generally, suffer from any adverse publicity. Examples of adverse publicity may include reports of inappropriate care of Residents, inquiries or investigations relating to the operation of aged care facilities or incidents at aged care facilities, health and safety issues affecting Residents, staff or visitors, failure to ensure facilities are well maintained or poor service delivery at facilities. If there were to be any such adverse publicity, this may reduce the number of existing Residents at Regis' facilities or Regis' ability to attract new Residents to its facilities, both of which may adversely impact Regis' profitability. Adverse media coverage may also lead to increased regulatory scrutiny in some areas and could have a material adverse effect on Regis' revenue and profitability by, for example, increased compliance costs.

Increased competition may affect Regis' competitive position

Each aged care facility has its own character and is effectively operating in its own local area (referred to as a catchment area). The competition faced by aged care operators is therefore mainly experienced at the facility level within the relevant catchment area. A substantial increase in the level of competition Regis faces across its portfolio of facilities could result in, among other things, Regis experiencing lower than anticipated occupancy rates, reduced revenue and margins and loss of its overall market share. This may have a material adverse effect on Regis' financial performance at the facility level, and if this were to occur across a number of facilities, this may reduce Regis' ability to achieve its strategic objectives.

Regis may not be able to retain key management

Regis relies on a specialised management team with significant aged care industry knowledge and experience.

If Regis is not able to retain key members of its management team Regis may not be able to operate its business to the current standard, which may undermine Regis' ability to comply with regulations and may reduce demand for Regis' services from existing and prospective Residents. These occurrences may adversely impact Regis' business operations including its ability to grow.

Regis may face medical indemnity and public liability claims, litigation and coronial enquiries

Aged care service providers such as Regis are exposed to the risk of medical indemnity and public liability claims, litigation and coronial inquests. Subject to the insurance arrangements that Regis has in place at the relevant time, any actual or threatened medical malpractice or public liability litigation against Regis could cause Regis to incur significant expenditure and may adversely impact Regis' future financial performance. If the costs of medical malpractice or public liability insurance were to rise, this could also adversely affect Regis' financial performance. If Regis is involved in actual or threatened litigation or coronial enquiries, the cost of such actions may adversely affect Regis' financial performance and may also give rise to adverse publicity.

Employees may leave and Regis may not be able to attract new skilled and trained employees

Regis' business is dependent on its specialised health and aged care staff. There is a risk that Regis may not be able to maintain or expand an appropriately skilled and trained workforce that is able to meet the existing or future care needs of Residents. If this type of risk was to eventuate, it may increase Regis' costs and reduce its profitability.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The constitution of the Company provides for the Company to indemnify directors and executive officers of the Company and its related bodies corporate against liability incurred in their capacity as an officer of the Company or related body corporate, except as may be prohibited by law.

Premiums have been paid by Regis Aged Care Pty Ltd; a 100% owned subsidiary company, with regard to directors' and officers' liability insurance to insure each of the directors and officers of the Company against certain liabilities incurred by them arising out of their conduct whilst acting in the capacity of directors or officers of the Company or its related bodies Corporate. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premiums.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

DIRECTORS MEETINGS

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS		AUDIT, RISK AND COMPLIANCE COMMITTEE		REMUNERATION AND NOMINATION COMMITTEE	
	Held[1]	Attended[2]	Held[1]	Attended[2]	Held[1]	Attended[2]
M Birrell	10	10	4	4	6	6
R Johnston	10	10	-	-	-	-
C Bennett	5	5	-	-	2	2
B Dorman	10	10	4	4	-	-
S Falzon	10	10	4	4	6	6
T Gerber	2	1	1	1	2	2
G Hodges	9	9	3	3	4	4
M Quinn	5	5	1	1	-	-
I Roberts	10	10	-	-	6	6

[1] Reflects the number of meetings held in the time the Director held office during the year.
[2] Reflects the number of meetings attended by the Director.

ROUNDING

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

OPTIONS

No options over issued shares or interests in the Company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 28.

NON-AUDIT SERVICES

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received the following amounts for the provision of non-audit services:

	$'000
Tax compliance	251
Total non-audit services	**251**

Signed in accordance with a resolution of the directors.

Graham Hodges

……………………………..

Graham Hodges
Chairman
Melbourne, 31st August 2018

REMUNERATION REPORT

Here you will find:

(1) Message from the Chairman of the Remuneration and Nomination Committee

(2) Remuneration Report - Audited

A. Principles used to determine the nature and amount of remuneration

(i) Executive remuneration
(ii) Changes to executive remuneration for FY18
(iii) Non-Executive Director remuneration
(iv) Remuneration governance framework
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(ii) Performance Rights held by Senior Executives
(iii) Movements in Performance Rights held by Senior Executives
(iv) ESAS shares
(v) KMP shareholdings
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(1) Message from the Chairman of the Remuneration and Nomination Committee

Dear Shareholders

On behalf of your Board, I am pleased to present our Remuneration Report (the Report) for the financial year ended 30 June 2018 (FY18).

A robust remuneration and reward framework that motivates our people and aligns our CEO and Senior Executives with shareholders is integral to the execution of our growth strategy and the delivery of long term value to our shareholders. The purpose of the Report is to communicate to shareholders and other stakeholders our remuneration framework and rationale for awarding incentives to our CEO and Senior Executives for their performance in FY18.

As advised last year, in FY17 we undertook a review of our executive reward framework and decided to introduce a new Variable Reward and Retention Plan (VRRP) with effect from 1 July 2017. The VRRP combined the previous Short and Long Term Incentive plans into a simpler incentive plan better aligning our Senior Executives with our shareholders through awarding a significant portion of an incentive (if payable) into deferred equity.

In this Report, we set out the outcome under the VRRP for Senior Executives which the Board believes reflects performance during the year against a range of financial and non financial measures which are designed to reflect both short and long term value creation.

Regis posted a normalised[1] NPAT of $56.9m representing solid performance within the context of a challenging year. Against the measures set for the year, which are detailed in the Report in section C(iii), the team achieved 100% of the NPAT and work, health safety (AIFR) targets, a partial achievement of the strategic objectives and zero achievement of the Refundable Accommodation Deposit (RAD) cash flow target.

Consequently, the incentive outcome as it relates to performance against these measures resulted in an award of 72.5% for our CEO and Senior Executives, given incentives for the CEO under his STI Plan and Senior Executives under the VRRP, are linked to the same measures.

In addition to the VRRP, there are two remaining LTI grants of Performance Rights under the previous LTI plan. Each grant has a three year performance period. The performance period for the FY16 grant ended on 30 June 2018 and is assessed against two performance hurdles; achievement of Strategic Plan objectives (40%) and the Company's FY18 EPS performance (60%). While the actual EPS performance resulted in a zero outcome, your Board exercised discretion to treat the hurdle as partially achieved. The Board's rationale in doing so was based on the material negative impact of the federal government's aged care funding cuts which were imposed after the EPS hurdle was set by the Board. In normal circumstances we accept that discretion would not be warranted, however we felt the magnitude of the cuts had a material impact on the team's ability to meet the EPS hurdle despite their efforts to offset the impact of the funding cuts while continuing to provide outstanding care to our residents.

Accordingly, given the continued solid performance over the three year performance period coupled with the need to reward and retain our key people, we believe it is fair and reasonable to apply an element of discretion. Consequently, those Senior Executives eligible for a LTI under the FY16 grant will receive 23.7% for the EPS measure. The total outcome for this LTI grant is 54.7% (being 23.7% EPS and 31% Strategic Plan objectives) with 45.3% of Performance Rights being forfeited. Please refer to section C(iv) for further details.

We trust that our shareholders and other stakeholders find the Report informative and we welcome any feedback.

Sylvia Falzon

Chairman of the Remuneration and Nomination Committee FY18

[1] See footnote to table on page 16.

(2) REMUNERATION REPORT – AUDITED

The Directors of Regis Healthcare Limited present the Remuneration Report for the Company for the reporting period 1 July 2017 to 30 June 2018. This Report forms part of the Directors' Report and has been audited in accordance with the *Corporations Act 2001* (Cth).

The Report includes details of the remuneration strategies for KMP of the Company. The KMP comprises the Non-Executive Directors (**NEDs**), the CEO and those persons with authority and responsibility for planning, directing and controlling the activities of the Company during the reporting year. The KMP, other than the NEDs and CEO, are referred to throughout this Report as 'Senior Executives'.

The names and positions of the KMP are listed in the following table.

Non-Executive Directors	
Name	Position
Mark Birrell	Independent, Non-Executive Chairman (resigned 30 June 2018)
Christine Bennett	Independent Non-Executive Director (appointed 1 March 2018)
Bryan Dorman	Non-Executive Director
Sylvia Falzon	Independent Non-Executive Director
Trevor Gerber	Independent Non-Executive Director (resigned 1 November 2017)
Graham Hodges	Independent Non-Executive Director (appointed 25 August 2017 and Chairman from 1 July 2018)
Matthew Quinn	Independent Non-Executive Director (appointed 1 March 2018)
Ian Roberts	Non-Executive Director

CEO and Senior Executives[1]	
Name	Position
Ross Johnston	Managing Director and Chief Executive Officer (CEO)
David Noonan	Chief Financial Officer
Darren Boyd	Chief Operating Officer (18 July 2017 – 18 March 2018)

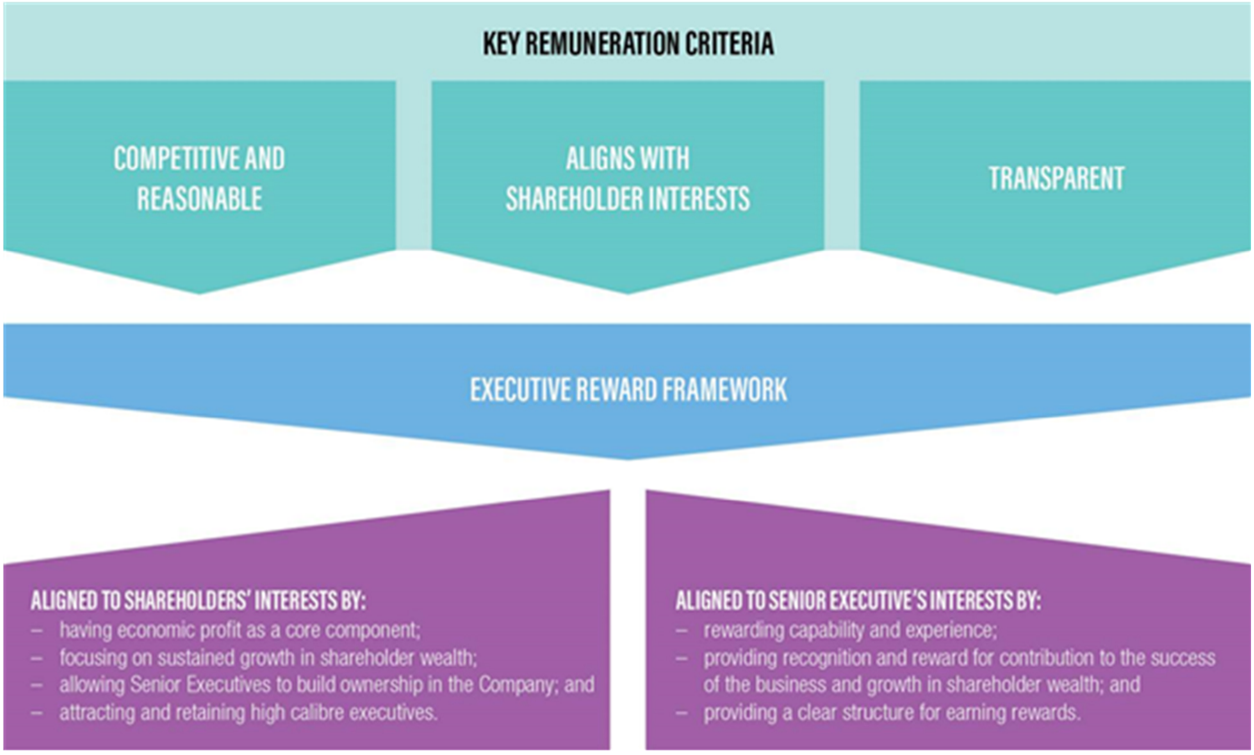
[1] Several roles defined as KMP in FY17 were no longer classified as KMP effective 1 July 2017 in light of the appointment of Darren Boyd as Chief Operating Officer and a reallocation of responsibilities.

A. Principles used to determine the nature and amount of remuneration

i. Executive remuneration

The Company's executive reward framework aims to ensure that reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. It provides a mix of fixed and variable pay, delivered in a combination of cash and deferred equity. As executives gain seniority within the Company, the balance of this mix generally shifts to a higher proportion of at-risk rewards.

The diagram below provides an overview of the executive reward framework.



ii. Changes to executive remuneration for FY18

As outlined in the FY17 Remuneration Report, the Board undertook a review of its existing remuneration framework in FY17 under the guidance of the Board Remuneration and Nomination Committee and remuneration advisor KPMG. The purpose of the review was to design a framework that would more closely align our Senior Executives with our shareholders through share ownership while creating a simpler and more transparent model which rewards performance over the short and long term. The review resulted in the introduction of a revised remuneration structure for Senior Executives who were participating in the LTI plan, which combined the existing STI and LTI plans into one Variable Reward and Retention Plan (VRPP) from FY18.

Performance within the plan is assessed over a 12 month period to provide greater focus and line of sight against short and long term measures directly linked to our strategic plan. On completion of the one year performance period, performance is assessed (against the performance measures listed in the table on the following page) and the vested amount will be delivered in a combination of cash (40%), and Share Rights (60%) which will vest subject to continued employment.

The Share Rights ensure Senior Executives are invested in the sustainable long-term performance of the Company, aligns their interests with those of shareholders, and encourages retention.

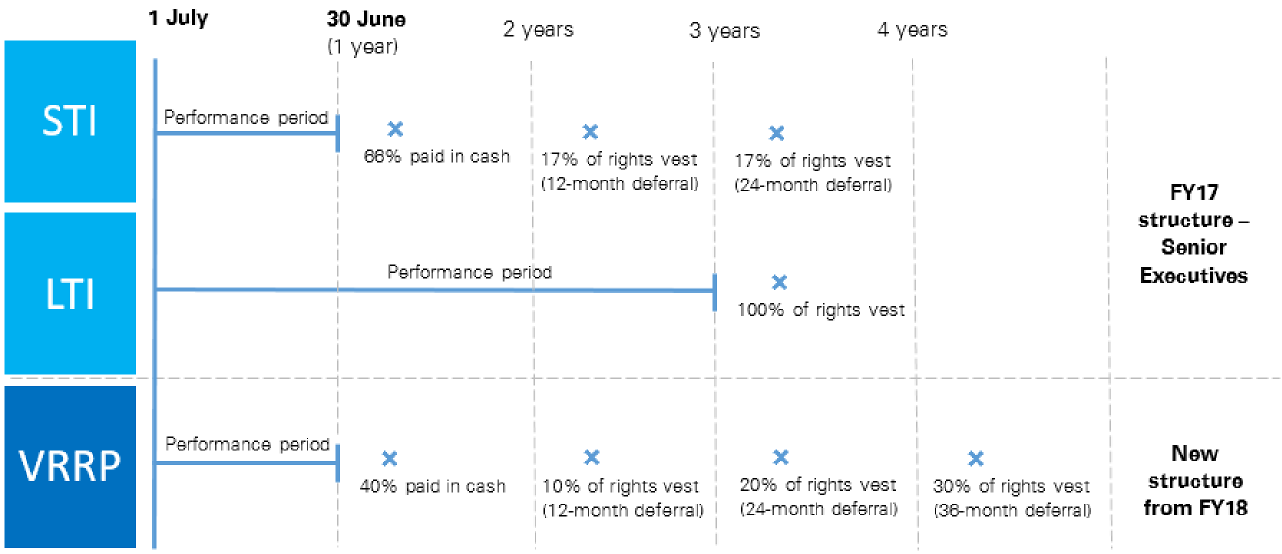
The Share Rights will vest in three tranches of 10%, 20% and 30% of the total award deferred for one, two and three year periods respectively after the delivery of the cash component, subject to continued employment.

In setting deferral periods as one, two and three years after completion of the performance period, the Board has extended the period of time that an Executive must remain with the Company in order to receive full vesting of the award (i.e. under the VRRP, an executive will not be entitled to full vesting of the award until more than four years after the commencement of the performance period).

Senior Executives commenced participation in the VRRP on 1 July 2017. As outlined in Section B, the CEO does not currently participate in the VRRP.

The table and diagram below compare key features of the FY17 incentive structure to the VRRP.

Feature	FY17 Incentive Structure	FY18 Incentive Structure
Components	• STI (cash and Performance Rights) • LTI (Performance Rights)	• VRRP (cash and Share Rights)
Opportunity levels	• STI – up to 50% of Fixed Pay • LTI – 30% - 40% of Fixed Pay	• In determining the incentive opportunity for each VRRP participant, rather than combine the FY17 short-term and long-term incentive opportunities, a discount was applied to the FY17 long-term incentive opportunity.
Gateway	• STI – gateway in relation to minimum EBITDA performance and compliance and accreditation • LTI – no gateway	Gateway hurdle applies to the cash component of the VRRP: • All accreditations received, no non compliances exceed timeframe for improvement (TFI) • 50% reduction in award for a sanction
Performance measures	• STI – EBITDA, Occupancy, Positioning the Company for EPS Growth (CEO only), Workplace health and safety, Ongoing compliance and accreditation, Other role specific targets • LTI – Strategic Plan (40%) and EPS (60%)	• NPAT (40%) • Refundable Accommodation Deposit (RAD) cash flow (20%) • All Injury Frequency Rate (10%) • Achievement of strategic objectives in line with approved Plan (30%)
Timing of delivery	• Refer below diagram	• Refer below diagram



iii. Non-Executive Director remuneration

To maintain Director independence, the remuneration of NEDs is not linked to Company performance and is comprised solely of Directors' fees (including superannuation).

The Company's remuneration policy for NEDs aims to ensure that Regis can attract and retain suitably qualified and experienced Directors having regard to:

- the level of fees paid to NEDs by comparable companies;
- the size and complexity of the Company's operations; and
- the responsibilities and work requirements of Directors.

iv. Remuneration governance framework

The Board Remuneration and Nomination Committee (the **Committee**), is responsible for remuneration and incentive policies and practices. It also makes specific recommendations to the Board on remuneration packages and other terms of employment/appointment (as applicable) for NEDs, the CEO and Senior Executives. The Company's Corporate Governance Statement provides further information on the role of the Committee and can be found on the Company's website at https://www.regis.com.au/corporate-governance/

v. Remuneration consultants and other advisors

To assist in performing its duties and in making recommendations to the Board, the Committee from time to time seeks independent advice from remuneration consultants and other advisors on various remuneration-related matters. When doing so, the remuneration consultants and other advisors are required to engage directly with the Chairman of the Committee as the first point of contact.

Since listing in 2014, the Committee has engaged KPMG as Regis' remuneration advisor to provide updates on market trends, benchmarking data and advice regarding executive remuneration arrangements. In FY17, KPMG assisted the Committee in designing and establishing the VRRP.

In FY18, KPMG was paid $24,300 (excluding GST) in relation to remuneration recommendations provided as part of their engagement.

KPMG provided a formal declaration confirming that its recommendations were made free from undue influence by the members of KMP to whom the recommendations related to and, in view of this declaration and the protocols and processes governing the engagement of KPMG and receipt of its recommendations, the Board is satisfied that each of the recommendations were free from undue influence by such persons.

KPMG was paid $58,665 (excluding GST) for other services provided across the business during the 2018 financial year.

vi. Company performance

The following table shows the Company's financial performance during the reporting period. Comparative numbers for the previous three financial years are shown as this is the Company's fourth Remuneration Report as a listed entity.

Key Performance Indicators	FY18	FY17	FY16	FY15
	$'000	$'000	$'000	$'000
Reported[1] Revenue	594,397	565,483	480,745	437,508
Reported[1] Net profit before tax	76,772	87,718	70,081	78,086
Reported[1] Net profit after tax	53,869	61,101	46,535	57,514
Normalised[1] Net profit after tax	56,948	61,101	56,802	45,898
Share price at beginning of year	$3.93	$4.69	$5.16	$3.65
Share price at end of year	$3.28	$3.93	$4.69	$5.16
Dividends paid per share	17.93 cents	20.34 cents	15.34 cents	17.60 cents
Basic earnings per share	17.93 cents	20.34 cents	15.49 cents	21.16 cents
Diluted earnings per share	17.91 cents	20.32 cents	15.48 cents	21.15 cents
Normalised basic earnings per share	18.95 cents	20.34 cents	18.91 cents	16.89 cents

1. The use of the terms 'reported' refers to IFRS financial information and 'normalised' to non-IFRS financial information. Normalised earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information. Normalised adjustments have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each financial year. The non-IFRS financial information, while not subject to an audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

The remuneration framework aligns Senior Executive remuneration to the company's results and contributed to solid company performance during the period.

B. Remuneration structure - CEO

The CEO's FY18 remuneration comprised the following components:

- fixed pay, including superannuation;
- at risk remuneration delivered through the Company's:
  - short-term incentive plan; and
  - legacy incentives.

The CEO's remuneration since listing has been structured having regard to the significant equity allocated to the CEO prior to listing under the Legacy ESAS.

In addition to his fixed pay, the CEO was eligible to participate in the Company's FY18 short-term incentive (STI) plan with a maximum opportunity of $400,000. 34% of the STI is subject to deferral with 50% of the deferred component paid in cash 12 months after the award and the balance paid in cash 24 months after the award subject to continued employment with the company. The same performance scorecard is used for the CEO's FY18 STI as the FY18 VRRP for Senior Executives.

The CEO was not granted any additional incentives in FY18.

The mix of fixed versus performance based remuneration that applied for the CEO for the reporting period is set out in the table below.

	% of Total Remuneration	
	Fixed Remuneration	Performance-Based Remuneration[1]
Ross Johnston	67%	33%

The Board continues to believe that the use of a cash-based STI is appropriate for the CEO, given his significant shareholding and the fact that the Legacy ESAS shares provide significant alignment with shareholder returns. The Board will continue to regularly review the CEO's remuneration quantum and mix.

Additional details are provided regarding the CEO's legacy incentive arrangements below. It is noted that these are in recognition of performance prior to the Company's listing on the ASX.

i. Legacy incentives

The CEO has restricted shares under the Legacy Executive Option and Equity Plan for Senior Executives (known as **ESAS shares**). These ESAS shares were issued prior to listing to recognise the CEO's performance from the date he commenced service with the Company until the Company listed in October 2014.

These ESAS shares continue on foot and remain with sale restriction (subject to release for sale in tranches). The final tranche of ESAS shares is scheduled to vest on 30 June 2019, subject to the CEO's continued employment with the Company. The CEO's entitlement to the ESAS shares, provides significant alignment with shareholder interests, and has continued to act as a strong motivation and retention tool since listing.

Details regarding the ESAS shares vested are disclosed at Section E.iv.

Separate to the above, the CEO also participated in the Legacy cash LTI plan prior to listing, and received the final payment under this plan (of $20,000 including superannuation) on 1 July 2018. Details are disclosed at Section E.i of this report.

[1] This is provided at target levels.

C. Remuneration structure – Senior Executives

Commencing 1 July 2017, the Company's reward framework for Senior Executives has two key components:

- fixed pay, including superannuation; and
- at risk remuneration delivered through the VRRP.

The mix of fixed versus performance based remuneration that applied for the reporting period is set out in the table below.

	% of Total Remuneration	
	Fixed Remuneration	Performance-Based Remuneration[1]
David Noonan	60%	40%
Darren Boyd	53%	47%

i. Fixed pay

The terms of employment for all Senior Executives contain a fixed annual remuneration component comprising base salary and superannuation.

Senior Executives are offered competitive fixed pay that is reviewed as required to ensure it remains competitive and is commensurate with the responsibilities of the position.

ii. Variable Reward and Retention Plan (VRRP)[2]

What is the VRRP?	The VRRP is an incentive plan under which Senior Executives are eligible to receive an annual award of cash and Share Rights that are linked to the achievement of financial and non-financial targets. The VRRP was introduced in order to provide greater focus and line of sight against performance measures linked directly to our strategic plan.
How is performance assessed under the VRRP?	The FY18 VRRP was subject to the following performance conditions: • NPAT (40%); • Refundable Accommodation Deposit (RAD) cash flow (20%); • All Injury Frequency Rate (10%); and • Achievement of strategic objectives in line with approved Plan (30%). Performance was assessed over the 12 month period from 1 July to 30 June (performance period). Both financial and non-financial conditions are assessed against predetermined benchmarks where appropriate. A compliance and accreditation gateway applies to the cash component of the VRRP. In order to be eligible for the cash component, all accreditations must be received and non-compliances must not exceed the mandated timeframe for improvement. In the event of one service being sanctioned, 50% of the cash component will be forfeited. In the event of a second being sanctioned, 100% of the cash component will be forfeited. The Board believes that the above measures are an appropriate mix of measures to support short term financial performance and the achievement of the company's long term strategic objectives. The Board retains discretion to adjust vesting outcomes to the extent that they are deemed inappropriate under special circumstances.
How is the VRRP delivered?	On completion of the one year performance period, performance is assessed and the percentage of the maximum opportunity earned determined. The Senior Executive will then receive an award equal to this value comprising 40% in cash and 60% in Share Rights. The use of Share Rights ensures Senior Executives are invested in the sustainable long-term performance of the Company, aligns their interests with those of shareholders, and encourages retention of key talent. The Share Rights will vest in three tranches of 10%, 20% and 30% deferred for one, two and three year periods respectively after the delivery of the cash component, subject to continued employment.

[1] This is provided at target levels.
[2] The CEO STI plan and the VRRP are assessed against identical performance conditions. Clauses regarding treatment on cessation of employment are also equivalent.

How are the number of Share Rights calculated?	The number of Share Rights granted is calculated using face value allocation methodology based on the volume weighted average price of fully paid ordinary shares in the Company over the 5 trading day period commencing on the trading day after the ex-dividend date for the Company's shares. Each Share Right entitles the holder to acquire a fully paid ordinary share in the Company for nil consideration at the end of the performance period, subject to their continued employment. The Share Rights do not carry dividends or voting rights prior to vesting.
What happens on cessation of employment?	If a Senior Executive ceases employment for cause or resigns before the end of the performance period or before the cash component of the VRRP is paid, unless the Board determines otherwise, the executive will not be entitled to receive any VRRP award and any unvested Share Rights will automatically lapse. In all other circumstances, unless the Board determines otherwise: • a pro-rata portion of the Share Rights (calculated by reference to the portion of the performance period that has elapsed up to the date of cessation) will remain on foot and will vest in accordance with the initial vesting schedule; and • the remaining portion of the Share Rights will automatically lapse.
Are there any restrictions on dealing?	A Senior Executive must not sell, transfer, encumber, hedge or otherwise deal with Share Rights. Senior Executives are free to deal with the shares allocated on vesting of the Share Rights, subject to the requirements of the Company's Policy for Dealing in Securities.
What happens in the event of a change in control?	The Board has discretion to determine that vesting of some or all of a Senior Executive's Share Rights should be accelerated. Where only some of the Share Rights are vested, the remainder will immediately lapse.

iii. FY18 vesting outcomes

The tables below outline FY18 performance against the performance scorecard used for the VRRP and STI plan.

Gateway		Result
All accreditations received	✓	Gateway achieved
No non-compliances exceeding timeframe for improvement	✓	Gateway achieved

Performance measure	Weighting	Target		Result
NPAT[1]	40%	Exceed budget	✓	Target met. Full vesting
RAD cash flow[1]	20%	Exceed budget	✗	Target not met. Nil vesting
All Injury Frequency Rate (AIFR)	10%	10% reduction on FY17 AIFR	✓	Target met. Full vesting
Achievement of strategic objectives • Land secured • Beds under construction • Development approvals • Mobilisation • Progress in the development of the Company's growth strategy	30%	Various		Partial vesting

[1] NPAT and RAD cash flow budgets were based on projections which excluded the Presbyterian Care acquisition as Regis did not take ownership of the Presbyterian Care business assets until after the commencement of the FY18 year. Accordingly, the performance of Presbyterian Care has not been considered when determining vesting outcomes. The Presbyterian Care business will be included in performance measures for the FY19 year.

FY18 vesting outcomes for the CEO and Senior Executives

	Award	Target award	Amount vested	% of target award vested	% of target award forfeited
Ross Johnston	STI	$400,000	$290,000	72.5%	27.5%
David Noonan	VRRP	$323,364	$234,439	72.5%	27.5%
Darren Boyd	VRRP	$422,240	-	0%	100%

iv. FY16 Long-term incentive plan vesting outcomes

Prior to FY18, the Company awarded Performance Rights under the previous LTI Plan to assist in the motivation, retention and reward of Senior Executives. The FY16 LTI Plan was tested in FY18.

Percentage of FY16 LTI Plan vested and forfeited for Senior Executives

The FY16 LTI Plan was tested following completion of the performance period on 30 June 2018. The FY16 LTI Plan was subject to two performance conditions being:

- the Company's FY18 EPS performance (60%);
- achievement of Strategic Plan objectives (40%)

A summary of the measures and outcomes are set out in the table below:

Performance measure	Weighting	Target	Award	Result
EPS (cents per share)	60%	<20cps = nil vesting, 20cps = 50% vesting, 23cps = 100% vesting	23.7%	Partial vesting
Achievement of strategic objectives	40%	Criteria as set out below	31.0%	Partial vesting

While the actual EPS performance of 18.95 cents per share based on a normalised NPAT of $56.9m resulted in a zero outcome, as per the above table, your Board exercised discretion to treat the hurdle as partially achieved. The Board's rationale in doing so was based on the material negative impact of the federal government's aged care funding cuts which were imposed after the EPS hurdle was set with a gateway of $0.20 cents per share. In this regard, the EPS target for the FY18 year was approved by the Board on 20 October 2015, prior to the Government funding cuts which were initially outlined in part in the November 2015 MYEFO announcements with a further cut formally announced in December 2016. The cuts took effect from 1 January 2017.

In normal circumstances we would not apply discretion, however we felt the magnitude of the cuts had a material impact on the team's ability to meet the EPS hurdle despite their efforts to continue to provide outstanding care to our residents.

Accordingly, given the continued solid performance over the three year performance period coupled with the need to reward and retain our key people, we believe it is fair and reasonable to apply an element of discretion.

Consequently, those Senior Executives eligible for a LTI under the FY16 grant will receive 23.7% for the EPS measure. This outcome was determined by adjusting our normalised NPAT to remove the impact of the federal government aged care funding cuts, the resulting outcome was then reduced by 50%.

The Strategic Hurdle comprised the following five elements:

a. Land secured in accordance with the September 2015 five year plan
b. Beds delivered in accordance with the September 2015 five year plan
c. Development approvals achieved in accordance with the September 2015 five year plan
d. Mobilisation of greenfield facilities delivered in accordance with the September 2015 five year plan
e. Progress in the development of the Company's growth strategy in the period

The total outcome for this LTI grant is 54.7% (being 23.7% EPS and 31% Strategic Plan objectives) with 45.3% of Performance Rights being forfeited. The total incremental amount being awarded by applying this discretion is $156,842 split amongst David Noonan and the previous KMP Michelle Baker, Phil Mackney, Michael Horwood and Darren Lynch.

The table below outlines the number, value and percentage of Performance Rights that vested under the FY16 LTI Plan.

Senior Executive	Initial Grant (no)	Initial Grant $	Grant date fair value $	Vested (no)	Vested $	% of FY16 grant forfeited	Number forfeited	$ Forfeited
David Noonan	31,942	165,460	5.18	17,472	90,506	45.3%	14,470	74,954

v. Key terms of Executive Service Agreements

All Senior Executives and the CEO are party to a written executive service agreement with Regis Aged Care Pty Ltd, a subsidiary of Regis Healthcare Limited.

Key terms of Executive service agreement for CEO

Duration	Ongoing
Periods of notice required to terminate	6 months. The agreement may, however, be terminated by the employer: • on three months' notice if the CEO fails to address performance concerns notified to him by the Board; or • without notice or any payment for cause.
Termination payments	The employer has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place. In the case of redundancy, the CEO is entitled to receive a severance payment equivalent to 12 months' fixed remuneration (inclusive of any payment in lieu of notice).
Restraint of trade	Maximum of 12 months.

Key terms of Executive service agreements for Senior Executives

Duration	Ongoing
Periods of notice required to terminate	3 months. The agreement may, however, be terminated by the employer for cause without notice or any payment.
Termination payments	The employer has discretion to make a payment in lieu of notice. No contracted retirement benefits are in place with any of the Company's Senior Executives.
Restraint of trade	Maximum of 6 months.

D. Remuneration structure - Non-Executive Directors

Fees and payments to NEDs reflect the demands on, and responsibilities of, the NEDs. NEDs' fees and payments are reviewed bi-annually by the Board. The Board reviewed remuneration of NEDs in FY17 and considered that NEDs' fees and payments continue to be appropriate and in line with the market. There were no changes made to NEDs' fees in FY18.

i. Directors' fees

Under the Constitution, the Board may decide the amount of each Director's remuneration. However, the total amount provided to all NEDs must not exceed, in aggregate in any financial year, the amount fixed by the Company in general meeting. The fees payable to the current Directors did not exceed that amount, being $1.2 million in aggregate.

The annual Director fees currently agreed to be paid inclusive of superannuation are:

Role	Annual fees
Chairman	$240,000
Other NEDs	$110,000
Chair of Audit, Risk and Compliance Committee	$30,000
Members of Audit, Risk and Compliance Committee	$20,000
Chair of the Remuneration and Nomination Committee	$20,000
Members of the Remuneration and Nomination Committee	$12,500

Directors may be paid for travel and other expenses incurred in attending to the Company's affairs, including attending and returning from meetings of Directors or committees or general meetings. Directors may also be remunerated where they devote special attention to the business or perform services which, in the opinion of the Board, are outside the scope of the ordinary duties of a Director.

ii. Retirement allowances for Directors

NEDs do not participate in any performance based share or option incentive plans or other retirement schemes or benefits other than statutory benefits.

E. Statutory Remuneration Disclosures

i. KMP remuneration – statutory disclosures

Details of the remuneration of the NEDs, CEO and Senior Executives of the Group are set out in the following tables. The tables include the statutory disclosures required under the Corporations Act 2001 (Cth) and are in accordance with the Accounting Standards.

			Short Term Benefits			Post Employment	Other Long-Term Benefits		Share-based payments		
Name	Role	Year	Salary & Fees	Non-Monetary Benefits	STI-Cash Bonus [1]	Superannuation	Long Service Leave	Legacy Cash LTI	Performance Rights and Share Rights granted under STI LTI & VRRP plans	Shares	Total
			$	$	$	$	$	$	$	$	$
Non-Executive Directors											
Mark Birrell	Chairman (ceased on 30 June)	FY17	248,858	-	-	23,642	-	-	-	-	272,500
		FY18	248,858	-	-	23,642	-	-	-	-	272,500
Christine Bennett	NED (commenced on 1 March)	FY17	-	-	-	-	-	-	-	-	-
		FY18	35,282	-	-	3,352	-	-	-	-	38,634
Bryan Dorman	NED	FY17	118,722	-	-	11,278	-	-	-	-	130,000
		FY18	118,722	-	-	11,278	-	-	-	-	130,000
Sylvia Falzon	NED	FY17	136,986	-	-	13,014	-	-	-	-	150,000
		FY18	136,986	-	-	13,014	-	-	-	-	150,000
Trevor Gerber	NED (ceased on 1 November)	FY17	139,269	-	-	13,231	-	-	-	-	152,500
		FY18	49,815	-	-	4,732	-	-	-	-	54,547
Graham Hodges	NED (commenced on 25 August)	FY17	-	-	-	-	-	-	-	-	-
		FY18	83,456	-	-	7,928	-	-	-	-	91,384
Matthew Quinn	NED (commenced on 1 March)	FY17	-	-	-	-	-	-	-	-	-
		FY18	37,442	-	-	3,557	-	-	-	-	40,999
Ian Roberts	NED	FY17	111,872	-	-	10,628	-	-	-	-	122,500
		FY18	111,872	-	-	10,628	-	-	-	-	122,500
Sub-Total Non-Executive Directors		**FY17**	**755,707**	**-**	**-**	**71,793**	**-**	**-**	**-**	**-**	**827,500**
		FY18	**822,433**	**-**	**-**	**78,131**	**-**	**-**	**-**	**-**	**900,564**

Name	Role	Year	Short Term Benefits Salary & Fees $	Non-Monetary Benefits $	STI/VRRP -Cash Bonus [1] $	Post Employment Superannuation $	Other Long-Term Benefits Long Service Leave $	Legacy Cash LTI $	Share-based payments Performance Rights granted under STI, LTI & VRRP plans $	Shares $	Total $
Executive Directors											
Ross Johnston	MD/CEO	FY17	779,583	-	92,512	30,230	15,921	82,952	-	-	1,001,198
		FY18	785,970	-	252,774	24,989	19,737	18,265	-	-	1,101,735
Executives											
Darren Boyd	COO (18 July 17 – 18 March 18)	FY17	-	-	-	-	-	-	-	-	-
		FY18	430,914	-	-	23,237	-	-	-	-	454,151
David Noonan	CFO	FY17	463,470	-	52,523	30,287	2,094	-	39,561	-	587,935
		FY18	483,184	-	93,775	25,000	1,427	-	119,585	-	722,971
Sub-Total Executives		**FY17**	**1,243,053**	**-**	**145,035**	**60,517**	**18,015**	**82,952**	**39,561**	**-**	**1,589,133**
		FY18	**1,700,068**	**-**	**346,549**	**73,226**	**21,164**	**18,265**	**119,585**	**-**	**2,278,857**
Total Compensation		**FY17**	**1,998,760**	**-**	**145,035**	**132,310**	**18,015**	**82,952**	**39,561**	**-**	**2,416,633**
		FY18	**2,522,501**	**-**	**346,549**	**151,357**	**21,164**	**18,265**	**119,585**	**-**	**3,179,421**

The total for FY17 of $2,416,633 in this table is less than the total for FY17 in the FY17 Remuneration Report of $4,494,146 as it does not include the $2,077,513 for Michelle Baker, Michael Horwood, Darren Lynch and Philip Mackney reported in last year's report. These individuals were no longer classified as KMP effective 1 July 2017 in light of the appointment of Darren Boyd as Chief Operating Officer.

1. Includes FY16 STI cash awards, FY17 STI cash awards, FY18 STI cash awards in respect of Ross Johnston and the FY18 VRRP cash award for David Noonan.

ii. Performance Rights held by Senior Executives

Name[1]	Grant Date	Vesting Date	Expiry Date	Balance at Start of the Year No.	Granted During the Year No.	Vested During the Year No.	Balance at End of the Year No.	Fair Value per Right at Grant Date $	Aggregate Fair Value $	Maximum Value to be Recognised in Future Years[2] $
	20-Sep-17[C]	20-Sep-2019	20-Sep-2019	-	4,063	-	4,063	3.01	12,230	4,080
	20-Sep-17[B]	20-Sep-2018	20-Sep-2018	-	4,062	-	4,062	3.20	12,998	-
David Noonan	03-Oct-16[A]	30-Jun-2019	30-Jun-2019	35,830	-	-	35,830	3.81	136,512	45,546
	12-Sep-16[B]	12-Sep-2017	12-Sep-2017	7,122	-	7,122	-	3.79	-	-
	12-Sep-16[C]	12-Sep-2018	12-Sep-2018	7,122	-	-	7,122	3.56	25,354	-
	01-Dec-15[A]	30-Jun-2018	30-Jun-2018	31,942	-	17,472	-	5.18	-	-
				82,016	**8,125**	**24,594**	**51,077**	**-**	**187,094**	**49,626**
Grand Total				**82,016**	**8,125**	**24,594**	**51,077**	**-**	**187,094**	**49,626**

[A] LTI Grant [B] STI Grant which is subject to one year deferral [C] STI Grant which is subject to two year deferral

Each Performance Right that vests results in one ordinary share in the Company. Each Performance Right vests when it has been tested and satisfied the relevant performance conditions. Nil consideration is payable on exercise/vesting.

1. Neither Ross Johnston nor Darren Boyd holds Performance Rights. The performance criteria for each grant is set out in the Company's previous Remuneration Reports.
2. No grants will vest if the performance conditions are not satisfied, hence, the minimum value of grants yet to vest is nil. The maximum value of grants yet to vest has been estimated based on the fair value per grant at the maximum achievement of the vesting scale less amounts already recognised as an expense.

iii. Movements in Performance Rights held by Senior Executives

The following table sets out the movement during the reporting period, by number and value, of Performance Rights held by each Senior Executive (including their related parties).

Name	Held at 1 July 2017	Granted	Granted [1]	Vested	Vested [2]	Lapsed	Lapsed	Held at 30 June 2018
	No.	No.	$	No.	$	No.	$	No.
David Noonan	82,016	8,125	25,228	24,594	117,497	14,470	74,955	51,077
Darren Boyd	-	-	-	-	-	-	-	-

1. The value of Performance Rights granted in the year is the number of Performance Rights granted in the year multiplied by the fair value of each right on the grant date as per accounting standards.
2. The value of vested Performance Rights is calculated at the time of vesting.

iv. ESAS shares

The following table sets out details of the ESAS shares held by the CEO under the ESAS Plan, which were previously disclosed in the Company's prospectus. No grants have been made under this plan since the Company listed on the ASX.

Name	Plan	Type of Instrument	Release Date	Number of Shares to Release	Released During the Year
				No.	No.
Ross Johnston	ESAS Plan	Restricted Shares	30 June 2018	870,000	870,000
			30 June 2019	290,000	-

Shares that have been released are no longer subject to restriction.

v. KMP shareholdings

The following table summarises the movements in the shareholdings of KMP (including their related entities) for the reporting period.

	Number of shares						
	Held at 1 July 2017[1]	Received on vesting of LTI	Received on vesting of STI	Received as remuneration	Other net change	Held at 30 June 2018	Shares held nominally at 30 June 2018[3]
Non-Executive Directors							
Christine Bennett	N/A	-	-	-	-	-	-
Mark Birrell	41,096	-	-	-	-	41,096	-
Bryan Dorman	81,910,479	-	-	-	-	81,910,479	-
Sylvia Falzon	27,397	-	-	-	-	27,397	-
Trevor Gerber[2]	41,096	-	-	-	-	N/A	-
Graham Hodges	N/A	-	-	-	-	-	-
Matthew Quinn	N/A	-	-	-	8,000	8,000	-
Ian Roberts	81,910,479	-	-	-	-	81,910,479	16,699
CEO and Senior Executives							
Ross Johnston	3,388,537	-	-	-	-	3,388,537	32,876
Darren Boyd	N/A	-	-	-	-	-	-
David Noonan	9,500	-	7,122	-	-	16,622	3,300

1. Comparative amounts are revised, if required, based on latest information and to conform with current year presentation.
2. Trevor Gerber retired from the company on 1 November 2017 and his shareholdings are not included in the balance as at 30 June 2018.
3. Shares held 'nominally' means shares held indirectly or by KMP's close family members or entities over which the KMP or family member has control.

vi. Transactions with the Company

No Director or other KMP (including their related parties) has entered into a contract with the Company or a subsidiary during the reporting period other than as disclosed in this Remuneration Report.

vii. Loans with the Company

No Director or other KMP (including their related parties) has entered into a loan made, guaranteed or secured, directly or indirectly, by the Company during the reporting period.

End of Audited Remuneration Report

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Auditor's Independence Declaration to the Directors of Regis Healthcare Limited

As lead auditor for the audit of Regis Healthcare Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Regis Healthcare Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
31 August 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 $'000	2017 $'000
Revenue	2.1	594,397	565,483
Other income	2.1	1,077	-
Other expenses	2.1	(3,913)	(347)
Staff expenses		(397,431)	(357,896)
Resident care expenses		(34,905)	(40,365)
Administrative expenses		(27,636)	(26,057)
Occupancy expenses		(18,010)	(16,586)
Depreciation		(27,582)	(29,505)
Profit before income tax and finance costs		**85,997**	**94,727**
Finance costs	2.2	(9,225)	(7,009)
Profit before income tax		**76,772**	**87,718**
Income tax expense	2.3	(22,903)	(26,617)
Profit for the year		**53,869**	**61,101**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net (loss)/gain on cash flow hedges, net of tax	5.1	(23)	336
Other comprehensive income, net of tax		(23)	336
Total comprehensive income for the year		**53,846**	**61,437**
Total comprehensive income attributable to:			
Owners of the parent		53,846	61,437
Earnings per share			
		Cents	**Cents**
Earnings per share for the period attributable to ordinary equity holders of the Parent			
Basic	2.5	17.93	20.34
Diluted	2.5	17.91	20.32

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	NOTES	2018 $'000	2017 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	4.1	7,770	21,476
Trade and other receivable	4.2	6,879	7,202
Inventories		937	802
Other current assets	4.4	3,732	6,602
Other financial assets	5.1	147	180
Income tax receivables		4,646	-
Total Current Assets		**24,111**	**36,262**
Non-Current Assets			
Property, plant and equipment	3.1	1,127,102	927,315
Investment property	3.4	129,049	115,034
Intangible assets	3.3	478,417	446,132
Total Non-Current Assets		**1,734,568**	**1,488,481**
TOTAL ASSETS		**1,758,679**	**1,524,743**
LIABILITIES			
Current Liabilities			
Trade and other payables	4.3	59,796	63,128
Provisions	4.5	53,923	45,956
Income tax payable	2.3	-	2,895
Other financial liabilities	5.1	989,238	916,699
Total Current Liabilities		**1,102,957**	**1,028,678**
Non-Current Liabilities			
Interest-bearing loans and borrowings	5.2	411,589	255,000
Provisions	4.5	4,652	5,359
Deferred tax liabilities	2.3	59,111	51,769
Total Non-Current Liabilities		**475,352**	**312,128**
TOTAL LIABILITIES		**1,578,309**	**1,340,806**
NET ASSETS		**180,370**	**183,937**
EQUITY			
Issued Capital	5.7.1	272,822	272,221
Retained earnings		4,439	8,616
Reserves	5.7.2	(96,891)	(96,900)
TOTAL EQUITY		**180,370**	**183,937**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	ISSUED CAPITAL $'000	RETAINED EARNINGS $'000	CASH FLOW HEDGE RESERVE $'000	REMUNERATION RESERVE $'000	ACQUISITION RESERVE $'000	TOTAL EQUITY $'000
At 1 July 2016	272,171	(3,708)	(210)	4,185	(101,497)	170,941
Profit for the year	-	61,101	-	-	-	61,101
Other comprehensive income	-	-	336	-	-	336
Total comprehensive income for the year	**-**	**61,101**	**336**	**-**	**-**	**61,437**
Dividends paid or provided for	-	(48,777)	-	-	-	(48,777)
Equity settled share based payment expense	-	-	-	336	-	336
Transfers from remuneration reserve	50	-	-	(50)	-	-
At 30 June 2017	**272,221**	**8,616**	**126**	**4,471**	**(101,497)**	**183,937**
At 1 July 2017	272,221	8,616	126	4,471	(101,497)	183,937
Profit for the year	-	53,869	-	-	-	53,869
Other comprehensive income	-	-	(23)	-	-	(23)
Total comprehensive income for the year	**-**	**53,869**	**(23)**	**-**	**-**	**53,846**
Dividends paid or provided for	-	(58,046)	-	-	-	(58,046)
Equity settled share based payment expense	-	-	-	633	-	633
Transfers from remuneration reserve	601	-	-	(601)	-	-
At 30 June 2018	**272,822**	**4,439**	**103**	**4,503**	**(101,497)**	**180,370**

This statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from residents and Government subsidies		587,976	555,974
Payments to suppliers and employees		(476,134)	(437,946)
Interest received		407	582
Finance costs		(15,385)	(10,739)
RAD, accommodation bond and ILU/ILA entry contribution inflows		343,237	305,316
RAD, accommodation bond and ILU/ILA entry contribution outflows		(280,590)	(234,773)
Income tax paid		(25,673)	(27,362)
Net cash flows from operating activities	4.1	**133,838**	**151,052**
Cash flows from investing activities			
Purchase of property, plant and equipment		(217,164)	(151,049)
Purchase of businesses, net of cash acquired		(28,506)	-
Net cash flows used in investing activities		**(245,670)**	**(151,049)**
Cash flows from financing activities			
Proceeds from bank borrowings		156,172	45,000
Dividend paid on ordinary shares		(58,046)	(48,777)
Net cash flows used in financing activities		**98,126**	**(3,777)**
Net (decrease) in cash and cash equivalents		(13,706)	(3,774)
Cash and cash equivalents at the beginning of the year		21,476	25,250
Cash and cash equivalents at the end of the year	4.1	**7,770**	**21,476**

This statement should be read in conjunction with the notes to the financial statements.

SECTION 1: ABOUT THIS REPORT

1.1 Corporate Information

The consolidated financial statements of Regis Healthcare Limited and its subsidiaries (collectively, the Group) for the year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 31st August 2018.

Regis Healthcare Limited (the "Company") is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The Group's principal activity during the year was the provision of residential aged care services. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report. Information on the Group's structure is provided in section 6.1 and information on other related party relationships is provided in section 6.2

1.2 Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an historical cost basis, except investment property, independent living unit and apartment entry contributions and derivative financial instruments, which have been measured at fair value. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated.

1.3 Basis of consolidation

This financial report includes the consolidated financial statements and notes for the consolidated entity consisting of Paragon Group Investments Pty Ltd, as the accounting parent under the reverse acquisition in July 2007, and its deemed subsidiaries and the separate financial statements and notes.

The amount of the issued and paid up equity in these consolidated financial statements is the issued equity of the legal subsidiary, Paragon Group Investments Proprietary Ltd, immediately before the reverse acquisition plus subsequent issues and buy-backs of shares by the legal parent, Regis Healthcare Limited. However, the equity structure (i.e. the number and type of equity instruments issued) reflects the equity structure of the legal parent.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A list of all significant subsidiaries at 30 June 2018 is contained in Section 6.1.

The financial statements of the subsidiaries are prepared using consistent accounting policies and for the same reporting period as the parent company. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

1.4 Compliance with International Financial Reporting Standards (IFRS)

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

1.5 Going concern

The financial report has been prepared on a going concern basis. The Company is in a net current asset deficiency position. This deficiency principally arises because refundable accommodation deposits (RADs), accommodation bonds and independent living unit and independent living apartment (ILU/ILA) entry contributions are recorded as a current liability as required under accounting standards. However, in practice bonds/RADS that are repaid are generally replaced by RADs from incoming residents in a short timeframe. The Group has positive operating cash flow and has access to undrawn credit facilities.

1.6 Significant Accounting Estimates, Judgements and Assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions.

Material adjustments to future financial results or financial position may be required where the actual results and outcomes differ from the estimates and assumptions made.

Information about significant areas of estimation uncertainty and critical assumptions are described in the following notes:

- Section 2.3 – Income tax: availability of future taxable profit to support deferred tax assets
- Section 3.1 – Property plant & equipment: useful life assessment and key assumptions underlying recoverable amount of land & buildings
- Section 3.2 – Business combinations: key assumptions underlying the assessment of fair value
- Section 3.3 – Intangible assets: key assumptions underlying recoverable amounts
- Section 3.4 – Investment property: key assumptions underlying the assessment of fair value
- Section 5.9 – Share based payments: determination of valuation model and assumptions about achievement of performance hurdles

1.7 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Significant unobservable inputs and valuation adjustments are reviewed regularly. The level of involvement of external valuers in the valuation of significant assets and liabilities is decided upon annually as required.

SECTION 2: CURRENT PERFORMANCE

2.1 Revenue and other expenses

	NOTES	2018 $'000	2017 $'000
Revenue			
Government funding		416,330	396,758
Resident fees		168,809	158,061
Interest		407	582
Other operating revenue	(i)	8,851	10,082
Total revenue		**594,397**	**565,483**
Other income			
Change in fair value	3.4	1,077	-
Total other income		**1,077**	**-**
Other expenses			
Acquisition-related expenses	3.2	(3,913)	(347)
Total other expenses		**(3,913)**	**(347)**

(i) Other operating revenue includes deferred management fees, rental income, bond retention income and other sundry income.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The specific recognition criteria described below must also be met before revenue is recognised.

Entity wide disclosure

Revenue from one source, being the Government, constitutes or provides greater than 10 per cent of total revenues received.

Aged care facility revenue

Revenue from the rendering of a service or supply of a good is recognised upon the delivery of the related service or good to the Resident. The Group is entitled to charge retention fees to Residents in respect of pre 1 July 2014 accommodation bonds held. These fees are regulated by the Department of Social Services (Department) and accrued by the Group during the Resident's period of occupancy.

Interest income

Interest income is recorded using the effective interest rate method.

2.2 Finance costs

	NOTES	2018 $'000	2017 $'000
Finance costs			
Interest expense: Bank loans and overdrafts		11,024	6,158
Interest on refundable RADs		3,990	3,483
Other		1,022	1,106
Total finance costs		16,036	10,747
Less: borrowing costs capitalised	(i)	(6,811)	(3,738)
Total finance costs expensed		**9,225**	**7,009**

(i) Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.3 Income Tax

Major components of income tax (benefit) / expense

	NOTES	2018 $'000	2017 $'000
Current income tax:			
Current income tax charge		18,137	22,635
Adjustments in respect of current income tax of previous years		3	32
Deferred tax:			
Relating to origination and reversal of temporary differences		4,763	3,950
Income tax expense reported in profit or loss		**22,903**	**26,617**
Deferred tax related to items recognised in other comprehensive income during the year:			
Net gain/(loss) on revaluation of cash flow hedges		(10)	144
Deferred tax charged on other comprehensive income		**(10)**	**144**
Reconciliation of tax expense and the accounting profit multiplied by Australia's domestic company tax rate is as follows:			
Accounting profit before income tax		76,772	87,718
At the statutory income tax rate of 30% (2017: 30%)		23,032	26,315
Adjustments in respect of current income tax of previous years		3	32
Non-deductible acquisition costs		339	104
Relating to origination and reversal of temporary differences		(453)	-
Other non-assessable income/non-deductible expenses		(18)	166
Income tax expense reported in profit or loss		**22,903**	**26,617**

Major components of deferred tax

	STATEMENT OF FINANCIAL POSITION		STATEMENT OF PROFIT OR LOSS	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax liabilities				
Property, plant and equipment	(11,190)	(5,680)	5,510	1,837
Investment property	(1,965)	(1,416)	549	751
Independent living unit and apartment entry contributions	(3,857)	(3,514)	343	443
Interest rate swaps	(44)	(54)	(10)	54
Intangible assets	(62,937)	(60,785)	2,152	(258)
Deferred tax assets				
Employee benefits	17,858	15,324	(2,534)	(946)
Deferred revenue	1,355	1,298	(57)	(194)
Equity raising costs deducted from equity	1,363	2,725	1,362	1,277
Interest rate swaps	-	-	-	90
Other	306	333	27	859
Net deferred tax liabilities	**(59,111)**	**(51,769)**		
Adjusted for items not impacting profit or loss				
Net gain/(loss) on revaluation of cash flow hedges			10	(144)
Intangible assets			-	258
Acquisition of businesses			(2,584)	-
Other			(5)	(77)
Deferred income tax charge			**4,763**	**3,950**

2.3 Income Tax (continued)

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

During the year, the Group was selected as part of the ATO's corporate tax compliance review program (the Top 1000 Streamlined Assurance Review). The review, which covered financial years 2014 to 2017, was successfully completed in July 2018. The ATO obtained assurance that the Group paid the right amount of Australian income tax for the period under review rating the overall level of assurance obtained as High.

Deferred tax

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences, carried forward unused tax assets and unused tax losses only if it is probable that taxable profit will be available to utilise them.

Deferred tax is not recognised for temporary differences relating to:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- investments in subsidiaries, associates and jointly controlled entities where the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax is measured at the tax rates and laws that are enacted or substantively enacted at the reporting date and are expected to apply to the year when the asset is realised or the liability is settled.

Deferred tax relating to items recognised in other comprehensive income or directly in equity is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and authority.

Tax consolidation

Effective 3 July 2007, for the purpose of income taxation, Regis Healthcare Limited and its 100% owned subsidiaries formed a tax consolidated group. The entities in the tax group have entered into a tax sharing agreement to limit the joint and several tax liability of 100% owned subsidiaries in the event of a default by the head entity, Regis Healthcare Limited. The tax consolidated group has applied the "Separate Taxpayer within Group" approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

Entities within the tax consolidated group have entered into a tax funding arrangement with the head entity.

Under the terms of the tax funding arrangement, Regis Healthcare Limited and each of the entities in the tax consolidated group has agreed to pay a tax equivalent payment to, or from, the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from, or payable to, other entities in the tax consolidated group.

2.4 Segment Information

The Group's principal activity during the year was the provision of residential aged care services.

Executive management monitors the operating results of the following geographical locations separately for the purpose of making decisions about resource allocation and segment performance:

- Queensland / Northern Territory
- New South Wales
- Victoria / South Australia / Tasmania
- Western Australia

These operating segments have been aggregated into one reportable segment, which includes all activities and operating results of the Group, as they each have similar economic characteristics and similar expected growth rates.

Executive management primarily uses a measure of normalised earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the Group's performance. Normalised EBITDA excludes the effect of significant items of income and expenditure that may have an impact on quality of earnings.

Reconciliation of normalised EBITDA to profit before tax

	2018 $'000	2017 $'000
Normalised EBITDA	**117,085**	**123,997**
Depreciation	(27,582)	(29,505)
Other expenses	(3,913)	(347)
Finance income	407	582
Finance costs	(9,225)	(7,009)
Profit before income tax	**76,772**	**87,718**

2.5 Earnings per Share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the Parent by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share calculation reflects the dilutive effect of employee Performance Rights.

	2018 $'000	2017 $'000
Profit attributable to ordinary equity holders of the Parent	53,869	61,101

	2018 THOUSANDS	2017 THOUSANDS
Weighted average number of ordinary shares used in the calculation of:		
Basic earnings per share	300,491	300,356
Adjustment for effect of share based payment arrangements	228	389
Diluted earnings per share	300,719	300,745

	2018 cps	2017 cps
Basic earnings per share	17.93	20.34
Diluted earnings per share	17.91	20.32

2.6 Parent Entity Information

The following information has been extracted from the books and records of the parent and has been prepared in accordance with the accounting standards.

	2018 $'000	2017 $'000
Information relating to Regis Healthcare Limited		
ASSETS		
Current Assets	4,767	121
Non-current assets	518,459	524,324
TOTAL ASSETS	**523,226**	**524,445**
LIABILITIES		
Current Liabilities	1,973	5,077
Non-current liabilities	41	41
TOTAL LIABILITIES	**2,014**	**5,118**
EQUITY		
Issued Capital	477,653	477,054
Reserves	4,503	4,471
Retained Earnings	39,056	37,802
TOTAL EQUITY	**521,212**	**519,327**
Profit of the parent entity	58,962	81,751
Total comprehensive income of the parent entity	58,962	81,751

Contractual Commitments

Details of contractual commitments are set out in Section 5.5.

Guarantees

Details of bank guarantees are set out in Section 5.6.

Contingent Liabilities

Details of contingent liabilities are set out in Section 5.6.

SECTION 3: ASSETS AND GROWTH

3.1 Property, Plant and Equipment

	NOTES	LAND & BUILDINGS $'000	PLANT & MACHINERY $'000	MOTOR VEHICLES $'000	FIXTURES & FITTINGS $'000	LEASEHOLD IMPROVEMENTS $'000	WORK IN PROGRESS $'000	TOTAL $'000
Cost at 30 June 2018		861,264	235,726	1,046	64,417	38	183,592	1,346,083
Accumulated depreciation and impairment		(97,303)	(99,560)	(781)	(21,320)	(17)	-	(218,981)
Carrying amount at 30 June 2018		**763,961**	**136,166**	**265**	**43,097**	**21**	**183,592**	**1,127,102**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2017		612,071	101,557	307	33,737	20	179,623	927,315
Additions		-	16,317	-	4,202	-	186,963	207,482
Transfers from work in progress		142,096	30,490	-	7,566	2	(180,154)	-
Transfers to investment property	3.4	-	-	-	-	-	(2,840)	(2,840)
Disposals		-	-	(26)	-	-	-	(26)
Acquisition of businesses	3.2	21,302	1,094	41	316	-	-	22,753
Depreciation expense		(11,508)	(13,292)	(57)	(2,724)	(1)	-	(27,582)
Carrying amount at 30 June 2018		**763,961**	**136,166**	**265**	**43,097**	**21**	**183,592**	**1,127,102**
Cost at 30 June 2017		697,866	187,825	1,031	52,333	36	179,623	1,118,714
Accumulated depreciation and impairment		(85,795)	(86,268)	(724)	(18,596)	(16)	-	(191,399)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**
Reconciliation of carrying amounts								
Carrying amount at 1 July 2016		568,526	80,015	364	29,724	23	120,713	799,365
Additions		1,609	18,816	2	3,029	-	135,062	158,518
Transfers from work in progress		54,806	17,527	-	3,819	-	(76,152)	-
Disposals		(699)	(291)	(4)	(69)	-	-	(1,063)
Acquisition of businesses		-	-	-	-	-	-	-
Depreciation expense		(12,171)	(14,510)	(55)	(2,766)	(3)	-	(29,505)
Carrying amount at 30 June 2017		**612,071**	**101,557**	**307**	**33,737**	**20**	**179,623**	**927,315**

3.1 Property, Plant and Equipment (continued)

Property plant and equipment are stated at historical cost less accumulated depreciation and any impairment in value.

During mobilisation of newly developed aged care facilities, buildings are depreciated under a usage method based on occupancy and, thereafter, on a straight-line basis over their estimated useful life of 55 years.

Plant and equipment is depreciated on a straight line basis over their estimated useful life of between three and 30 years.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss when the item is derecognised.

Impairment testing for property, plant and equipment occurs if an impairment trigger is identified. No impairment triggers have been identified in the current year.

3.2 Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. Acquisition costs incurred are expensed and included in other expenses.

When the Group acquires a business, it assesses the financial assets acquired and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed. If the assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration, then the gain is recognised in profit or loss.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the Group's cash generating units that are expected to benefit from the combination. Refer Note 3.3 for an explanation of how goodwill is tested for impairment.

Acquisition of Presbyterian Care Tasmania

On 1 August 2017, the Group acquired three aged care facilities located in Hobart and Launceston, comprising 287 aged care places. The acquisition also included a small retirement village and some home care packages. The group has acquired the business in line with its growth strategy.

The fair value of the identifiable assets acquired and liabilities assumed as at the date of acquisition are set out in the following table:

3.2 Business Combinations (continued)

	$'000
Fair Value of Identifiable Net Assets	
Cash and cash equivalents	8
Property, plant & equipment	22,753
Operational places	7,175
Investment Property	782
Deferred tax assets	-
Total Assets	**30,718**
Refundable accommodation deposits (RADs)	18,348
Independent living unit and apartment (ILU/ILA) entry contributions	370
Trade and other payables	734
Provisions	1,988
Deferred tax liabilities	2,584
Total Liabilities	**24,024**
Fair value of identifiable net assets	6,694
Goodwill arising on acquisition	25,110
Purchase consideration transferred	**31,804**
Cost of the combination:	
Cash paid	31,804
Total cost of the combination	**31,804**
Direct acquisition costs (included in administration expenses)	4,260

The cash consideration was $31,804,000. Acquisition related costs of $4,260,000 incurred as part of this transaction included Government charges, professional fees and legal expenses.

The goodwill recognised on this acquisition is primarily attributed to the expected synergies and other benefits from combining the assets and activities with those of the Group.

Due to the acquisition taking place on 1 August 2017, the accounting for the business combination is final, based on information available at reporting date.

3.3 Intangible Assets

	OPERATIONAL PLACES $'000	GOODWILL $'000	TOTAL $'000
Cost at 30 June 2018	224,087	262,173	486,260
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2018	**217,913**	**260,504**	**478,417**
Reconciliation of carrying amounts			
Balance at 1 July 2017	210,738	235,394	446,132
Additions	7,175	25,110	32,285
Balance at 30 June 2018	**217,913**	**260,504**	**478,417**
Cost at 30 June 2017	216,912	237,063	453,975
Accumulated impairment	(6,174)	(1,669)	(7,843)
Carrying amount at 30 June 2017	**210,738**	**235,394**	**446,132**
Reconciliation of carrying amounts			
Balance at 1 July 2016 (Adjusted)	205,225	237,113	442,338
Additions / (Disposals)	5,513	(1,719)	3,794
Balance at 30 June 2017	**210,738**	**235,394**	**446,132**

Operational places

Operational places for aged care facilities are initially measured at historical cost or if acquired in a business combination, at fair value as at the date of acquisition. Following initial recognition, the licences are not amortised but are measured at cost less any accumulated impairment losses.

Operational places are assessed as having an indefinite useful life as they are issued for an unlimited period and therefore are not amortised. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable.

3.3 Intangible Assets (continued)

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the identifiable net assets acquired. Following initial recognition, goodwill is not amortised but is measured at cost less any accumulated impairment losses.

Impairment testing of operational places and goodwill

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the greater of fair value less costs of disposal and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which operational places and goodwill are monitored for internal management purposes and allocated to cash-generating units (CGUs). The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the acquisition from which operational places or goodwill arose. For impairment testing purposes, intangible assets are allocated to CGUs that are consistent with the Group's operating segments.

Impairment losses of continuing operations are recognised in profit or loss.

Key assumptions used in value in use calculations

The carrying value of goodwill and operational places allocated to each CGU at 30 June 2018 was as follows:

Cash Generating Unit	OPERATIONAL PLACES $'000	GOODWILL $'000	TOTAL $'000
Queensland / Northern Territory	87,518	121,273	208,791
New South Wales	30,508	17,542	48,050
Victoria / South Australia / Tasmania	78,647	101,123	179,770
Western Australia	21,240	20,566	41,806
Total	**217,913**	**260,504**	**478,417**

The recoverable amount of each CGU as at 30 June 2018 has been determined on a value in use calculation using discounted cash flow projections from financial forecasts approved by senior management covering a five year period, after which a terminal value is applied, based on management's view of the longer term growth profile of the business.

The calculation of value in use for each CGU is most sensitive to the following assumptions:

- **Growth rate** - Growth in EBITDA within the five year forecast period reflects management's growth strategy and assumptions behind the strategy for each CGU. Long term growth rates used were 2% to 3% (2017: 0% to 2%).
- **Discount rate** - The pre-tax discount rate applied to cash flow projections is 11.1% to 13.0% (2017: 12.9% to 15.0%) and represents the current market assessment of the risks specific to each CGU taking into consideration the time value of money and the individual risks of the underlying assets that have not been incorporated in the cash flow estimates.
- **Net RAD and accommodation bond flow** - Based on the anticipated growth strategy of each CGU and adjusted accordingly taking into account the average value of RADs received and location of the facility.
- **Capital expenditure** - Based on the anticipated development works in each CGU.

Based on this analysis it was concluded that the carrying value of each CGU does not exceed the value in use. Sensitivity analysis on reasonably possible changes to the above assumptions did not result in an outcome where impairment would be required.

3.4 Investment Property

	2018 $'000	2017 $'000
Carrying amount at beginning of financial year	115,034	113,043
Acquisitions from business combinations	782	-
Transfers from property plant and equipment	2,840	-
Additions in capital expenditure	9,316	1,991
Change in fair value	1,077	-
Balance at end of year	**129,049**	**115,034**

Investment property relates to interests in retirement villages (comprising independent living units and apartments) and retirement village development sites.

Investment property is initially measured at cost, including transaction costs and subsequently at fair value with any change therein recognised in the statement of profit or loss. After initial recognition, investment property is measured at fair value at the date of revaluation. Any gain or loss arising from a change in the fair value of investment property is recognised in profit or loss for the period in which it arises. In addition, the tax base of the investment property is measured on the assumption that the carrying amount of the investment property will be recovered entirely through sale, rather than through use.

Measurement of fair values

Retirement villages

Fair value of retirement villages has been determined by using a discounted cash flow valuation methodology. These valuations are based on projected cash flows using current resident contracts and current available market data for similar retirement units / properties.

Retirement villages are classified as Level 3 in the fair value hierarchy. This means that key assumptions used in their valuation are not directly observable.

Key assumptions used in the fair value assessments are:

- Discount rates of between 14% to 18% (2017: 14% and 18%)
- Property price growth rates of between 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term (2017: 0.5% and 3.25% in the medium term and 2.0% and 3.25% in the long term)
- The average tenure period of residents of 10 years (2017: 10 years)

Increasing the assumptions made about property price growth rates would increase the fair value of the retirement villages (and vice-versa). Increasing the assumptions made about discount rates and average tenure periods would reduce the fair value of the retirement villages (and vice-versa).

Retirement village development sites

Development sites contain vacant land and existing retirement villages that are nearing the end of their useful life and are valued on the basis of vacant possession for redevelopment, which is consistent with their highest and best use.

Fair value has been determined based on external valuations performed by an independent appraiser with a recognised professional qualification and recent experience in the location and category of property being valued. Fair value of development sites was determined with regard to recent market transactions of similar properties in similar locations to the Group's development sites and discounted cash flows.

Development sites are also classified as level 3 in the fair value hierarchy.

SECTION 4: OPERATING ASSETS & LIABILITIES

4.1 Cash and Cash Equivalents

	2018 $'000	2017 $'000
Reconciliation of the net profit after tax to the net cash flows from operations		
Net profit	53,869	61,101
Non-Cash items		
Depreciation and impairment of non-current assets	27,582	29,505
Bond retention and deferred management fee income	(8,826)	(10,122)
Loss on disposal of property plant and equipment	8	-
Other non-cash items	(72)	(119)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	323	(817)
(Increase)/decrease in inventory	(135)	(216)
(Increase)/decrease in other current assets	(427)	382
(Increase)/decrease in income tax receivable	(7,537)	(5,023)
(Decrease)/increase in deferred taxes	4,757	4,424
(Decrease)/increase in trade and other payables	(4,254)	(2,458)
(Decrease)/increase in RADs, accommodation bonds and ILU/ILA entry contributions	62,647	70,542
(Decrease)/increase in provisions	5,903	3,853
Net cash flow from operating activities	**133,838**	**151,052**
Reconciliation of cash and cash equivalents		
Cash at bank	7,642	21,368
Cash on hand	128	108
Total Cash and cash equivalents	**7,770**	**21,476**

Comparative amounts are revised, if required, based on the latest information to conform with current year presentation.

Cash and cash equivalents in the Consolidated Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office, are classified as operating cash flows.

Inflows and outflows of refundable accommodation deposits (RADs) and ILU/ILA entry contributions are classified as cash flows from operating activities as they are considered part of the operational business model. Upon entering a facility a resident has a choice to pay either a RAD, DAP or combination RAD/DAP. If the resident pays a DAP then this is classified as income and forms part of the cash flows from operating activities and therefore the RAD inflows are also considered cash flows from operating activities.

4.2 Trade and Other Receivables

	NOTES	2018 $'000	2017 $'000
Trade receivables	(i)	4,692	6,138
Provision for doubtful debts		(429)	(429)
Other receivables		2,616	1,493
Total Trade and Other Receivables		**6,879**	**7,202**

(i) Trade receivables are non-interest bearing and generally on 30 day terms.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method less an allowance for any uncollectible amounts.

Other receivables are non-interest bearing.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. The movement in the provision for doubtful debts is as follows:

	2018 $'000	2017 $'000
Opening balance	429	279
Charge for the year	58	250
Amounts written off	(58)	(100)
Closing balance	**429**	**429**

At 30 June, the ageing analysis of trade receivables is as follows:

	Total $'000	30 DAYS $'000	31-60 DAYS $'000	61-90 DAYS PDNI[1] $'000	61-90 DAYS CI[2] $'000	91+ DAYS PDNI[1] $'000	91+ DAYS CI[2] $'000
2018	4,692	2,113	975	282	142	893	287
2017	6,138	3,863	542	413	145	891	284

[1] PDNI = Past due not impaired

[2] CI = Considered impaired ("CI")

Due to the short term nature of current trade and other receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to the credit risk is the fair value of receivables. There is no concentration of credit risk with respect to these debtors.

4.3 Trade and Other Payables

	2018 $'000	2017 $'000
Trade payables	13,000	10,425
Other payables	39,050	45,054
Deferred revenue	4,520	4,328
Fees received in advance	3,226	3,321
Total trade and other payables	**59,796**	**63,128**

Liabilities for trade creditors and other payables are recognised initially at fair value and are subsequently carried at amortised cost. All amounts are non-interest bearing and have an average term of 30 days.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

4.4 Other Current Assets

	NOTES	2018 $'000	2017 $'000
Prepayments		1,858	5,466
GST recoverable		1,874	1,136
Total other current assets		**3,732**	**6,602**

4.5 Provisions

	NOTES	2018 $'000	2017 $'000
Current			
Employee Entitlements	(i)	53,923	45,956
Total current provisions		**53,923**	**45,956**
Non-Current			
Employee Entitlements		4,652	5,359
Total non-current provisions		**4,652**	**5,359**

(i) The current provision for employee entitlements includes annual leave entitlements, which are presented as current although the Group does not expect to settle the full amount within the next 12 months. The amount of annual leave that is not expected to be settled the next 12 months is $4,678,000 (2017: $4,039,000).

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is recognised in profit or loss net of any reimbursement.

Employee Entitlements

Provisions are recognised for annual leave, long service leave and long-term incentives. These are recognised and presented in the financial statements as follows:

- The liability expected to be paid within twelve months is measured at the amount expected to be paid.
- The liability expected to be paid after twelve months is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.
- The liability that has vested at the reporting date is included in the current provision for employee entitlements.
- The liability that has not vested at the reporting date is included in the non-current provision for employee entitlements.

SECTION 5: CAPITAL STRUCTURE & FINANCING

5.1 Other financial assets and liabilities

	2018 $'000	2017 $'000
Interest rate swaps	147	180
Total other financial assets	**147**	**180**
Refundable accommodation deposits (RADs)	945,152	869,600
Independent living unit and apartment (ILU/ILA) entry contributions	44,086	47,099
Total other financial liabilities	**989,238**	**916,699**

Refundable accommodation deposits (RADs)

A refundable accommodation deposit (RAD) is a non-interest bearing deposit paid or payable to an Approved Provider by a resident for the resident's accommodation in an aged care facility. Bond deposits may be reduced by annual retention fees charged in accordance with the Aged Care Act, 1997. Prior to 1 July 2014, lump sum refundable accommodation deposits were referred to as accommodation bonds.

RADs are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method. Due to the short term nature of RADs, their carrying value is assumed to approximate their fair value.

Prior to 1 July 2014, accommodation bonds were not payable by residents paying a high care accommodation payment. From 1 July 2014, under the Living Longer Living Better reforms, residents can choose to pay a full lump sum (RAD), a regular rental-type payment called a 'daily accommodation payment' (DAP), or a combination of both.

Accommodation bond balances are reduced by annual retention fees charged in accordance with the Aged Care Act, 1997. However, retention fees are not applicable to post 1 July 2014 RADs.

RAD refunds are guaranteed by the Federal Government under the prudential standards legislation.

Providers are required to have sufficient liquidity to ensure they can refund RAD balances as they fall due in the following twelve months. Providers are also required to implement and maintain a liquidity management strategy.

As there is no unconditional right to defer payment for 12 months, RAD liabilities are recorded as current liabilities.

The RAD liability is spread across a large portion of the resident population and therefore the repayment of individual balances that make up the current balance will be dependent upon the actual tenure of individual residents. Tenure can be more than ten years but averages approximately three years. Usually (but not always), when an existing RAD is repaid it is replaced by a new RAD from an incoming resident.

Independent living unit and apartment (ILU/ILA) entry contributions

Entry Contributions relate to Independent Living Unit and Apartment residents. ILU/ILA contributions are non interest bearing and are recognised at fair value through profit or loss with resulting fair value adjustments recognised in profit or loss. Fair value is the amount payable on demand and is measured at the principal amount plus the resident's share of any increases in the market value of the occupied ILU/ILAs (for contracts that contain a capital gain share clause) less deferred management fees contractually accruing up to reporting date. Sensitivity analyses on reasonably plausible changes to market value do not significantly affect fair value.

Contributions are presented inclusive of the residents' share of any increases in market value of the ILU/ILA to reporting date and net of deferred management fees contractually accrued to reporting date and other amounts owing by residents, which are deducted from the loan on repayment following the residents' departure. Entry contributions are settled after a resident vacates the property and the terms and conditions are governed by applicable State based Retirement Village Acts.

Interest rate swaps

Interest rate swaps are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at reporting date. The fair values of interest rate swap contracts are determined by reference to market values for similar instruments.

5.1 Other financial liabilities continued (continued)

Interest rate swaps (continued)

The Group designates interest rate swaps as cash flow hedge relationships. The effective portion of changes in the fair value of these derivatives is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are transferred to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The terms of the interest rate swap match the terms of the expected highly probable forecast transactions. As a result, there is no hedge ineffectiveness to be recognised in profit or loss.

5.2 Interest Bearing Loans and Borrowings

	NOTES	BORROWINGS NON-CURRENT $'000	BANK GUARANTEES $'000	UNUSED $'000	TOTAL $'000
30 June 2018	(i)	411,589	6,250	122,161	540,000
30 June 2017		255,000	7,390	107,610	370,000

(i) The group has increased the capacity and tenor of its syndicated bank debt facilities. The Group has access to a revolving credit facility and bank guarantee facility. Of these facilities, $295,000,000 matures in July 2020, $150,000,000 matures in May 2021 and $70,000,000 matures in July 2022. As at 30 June 2018 a total of $97,161,000 of the Group's revolving credit facility remains undrawn.

In June 2018, the Group secured a new $25,000,000 bilateral overdraft facility to be used for general working capital and corporate purposes. The facility matures in May 2021 and was undrawn as at 30 June 2018.

The movement in interest bearing borrowings represents net cash proceeds from bank borrowings $156,172,000 and other movements of $417,000.

During the current and prior years, there were no defaults or breaches of any of the loans.

At initial recognition, financial liabilities are classified at fair value net of directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

The carrying value of interest bearing loans is materially the same as the fair value.

5.3 Financial Risk Management and Objectives

The Group's principal financial liabilities comprise of trade and other payables, accommodation bonds, refundable accommodation deposits (RADs), independent living unit and apartment (ILU/ILA) contributions and interest bearing loans which are held mainly to finance the Group's operations. The Group's principal financial assets include trade and other receivables, and cash and cash equivalents that derive directly from its operations. The Group is exposed to market risk, credit risk and liquidity risk.

Primary responsibility to review, oversee and report to the Board on the Group's risk management systems and strategies rests with the Audit, Risk & Compliance Committee operating within an approved policy under the authority of the Board. The Group uses various methods to measure and manage different types of risks to which it is exposed. The Board ensures that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives which have been agreed upon by the Board. These are summarised below.

5.3 Financial Risk Management Objectives (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and prices. Financial instruments affected by market risk include cash, loans and borrowings, RADs and DAPs and derivative financial instruments. Market risk is managed and monitored by using sensitivity analysis, and minimised through ensuring that all operational activities are undertaken in accordance with established internal and external guidelines, financing and investment strategies of the Group.

Interest rate risk

The Group's exposure to interest rate risk primarily relates to the Group's bank debt when drawn. Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. When bank debt is drawn, the Group reviews its bank borrowings on a monthly basis and monitors its position in respect of fixing interest rates, leaving them as floating rates or a combination of both. The Group constantly monitors and analyses its interest rate exposure. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing options and the mix of fixed and variable interest rates.

The Group primarily manages this risk exposure through entering into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

The Group's exposure to interest rate risks and the effective interest rate of financial assets and liabilities both recognised and unrecognised at the reporting date are as follows:

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATES		FIXED OR FLOATING
	2018 %	2017 %	
Cash and liquid assets	1.87	2.46	Floating
Bank loans	2.94	2.80	Floating

The details of bank loans are disclosed in section 5.2 of the financial statements. All other financial assets and liabilities are non-interest bearing.

At reporting date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk that are not designated as cash flow hedges:

	2018 $'000	2017 $'000
Financial Assets		
Cash and cash equivalents	7,642	21,476
Financial Liabilities		
Bank debt	(411,589)	(255,000)
Net exposure	**(403,947)**	**(233,524)**

At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

JUDGEMENTS OF REASONABLY POSSIBLE MOVEMENTS:	POST TAX PROFIT HIGHER/(LOWER)		EQUITY HIGHER/(LOWER)	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Consolidated				
+1% (100 basis points)	(2,403)	(1,336)	(2,403)	(1,336)
-1% (100 basis points)	2,403	1,336	2,403	1,336

Price risk

The Group's exposure to price risk primarily relates to the risk that the Federal Government, through the Department of Health, alters the rate of funding provided to Approved Providers of residential aged care services. A fluctuation in the rate of Government funding may have a direct material impact on the revenue of the Group. In addition, the Department of Health also administers the pricing of Resident contributions. Members of the Group's senior management team participate in aged care industry public awareness discussions and in aged care industry dialogue with the Department and Government about proposals for changes to legislation for the aged care industry.

5.3 Financial Risk Management and Objectives (continued)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of the asset. The Group does not hold any credit derivatives to offset its credit exposure. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through monitoring forecast cash flows and ensuring adequate access to financial instruments that are readily convertible to cash. In addition, the Group maintains sufficient cash and cash equivalents to meet normal operating requirements. Also, as part of the Group's compliance with the User Rights Principles 1997, the Company maintains a liquidity management strategy to ensure that it has sufficient liquidity to enable it to refund RAD and accommodation bond balances that are expected to fall due within at least the next 12 months.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities, including derivative financial instruments as at 30 June 2018. The undiscounted cash flows for the respective upcoming financial years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on conditions existing at 30 June 2018.

The Group monitors its liquidity risk through rolling cash forecasts. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of debt finance and operational cash flow. Access to sources of funding is sufficiently available with the Group being able to refinance the debt when it becomes due. Maturity analysis of financial assets and liabilities are as follows:

		1-12 MONTHS $'000	1-5 YEARS $'000	TOTAL $'000
Year ended 30 June 2018				
Financial assets				
Cash and cash equivalents		7,770	-	7,770
Trade and other receivables		6,879	-	6,879
Interest rate swap		147	-	147
Other current assets		1,874	-	1,874
Financial liabilities				
Trade and other payables		(59,796)	-	(59,796)
RADs and ILU/ILA entry contributions	(a)	(989,238)	-	(989,238)
Interest rate swap		-	-	-
Interest bearing loans and borrowings		-	(411,589)	(411,589)
Net exposure		**(1,032,364)**	**(411,589)**	**(1,443,953)**
Year ended 30 June 2017				
Financial assets				
Cash and cash equivalents		21,476	-	21,476
Trade and other receivables		7,202	-	7,202
Interest rate swap		180	-	180
Other current assets		1,136	-	1,136
Financial liabilities				
Trade and other payables		(63,128)	-	(63,128)
RADs and ILU/ILA entry contributions	(a)	(916,699)	-	(916,699)
Interest rate swap		-	-	-
Interest bearing loans and borrowings		-	(255,000)	(255,000)
Net exposure		**(949,833)**	**(255,000)**	**(1,204,833)**

(a) Cash flows from refundable accommodation deposits (RADs), accommodation bonds and ILU/ILA entry contributions are classified as a current liability because the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. In practice, this is not expected to result in a net outflow because historically, as RADs/bonds have been repaid, they have generally been replaced by new RADs from incoming residents of similar or greater amounts. This trend is expected to continue (with RADs replacing accommodation bonds from 1 July 2014). Refer to section 5.1 for further information.

At reporting date, the Group had available $122,161,000 of unused credit facilities.

5.3 Financial Risk Management and Objectives (continued)

Capital Management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current period.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2018 and 2017.

5.4 Fair value hierarchy

The financial instruments included on the Consolidated Statement of Financial Position are measured at either fair value or amortised cost. The measurement of this fair value may in some cases be subjective and may depend on the inputs used in the calculations. The different valuation methods available can be classified into hierarchies and are described below:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets and liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table sets out the financial instruments included on the Consolidated Statement of Financial Position at Fair Value.

	NOTES	TOTAL $'000	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000
30 June 2018					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	147	-	147	-
Independent living unit and apartment entry contributions	5.1	(44,086)	-	(44,086)	-
Investment Property	3.4	129,049	-	-	129,049
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(411,589)	-	(411,589)	-
Refundable accommodation deposits (RADs)	5.1	(945,152)	-	(945,152)	-
Total		**(1,271,631)**		**(1,400,680)**	**129,049**
30 June 2017					
Assets and liabilities measured at fair value					
Interest rate swaps	5.1	180	-	180	-
Independent living unit and apartment entry contributions	5.1	(47,099)	-	(47,099)	-
Investment Property	3.4	115,034	-	-	115,034
Assets and liabilities for which fair value is disclosed					
Borrowings	5.2	(255,000)	-	(255,000)	-
Refundable accommodation deposits (RADs)	5.1	(869,600)	-	(869,600)	-
Total		**(1,056,485)**	**-**	**(1,171,519)**	**115,034**

Refer relevant note for information on how fair value of the above financial instruments were derived.

5.4 Fair Value Hierarchy (continued)

The carrying value of financial assets and liabilities recognised at amortised cost in the financial statements approximate their fair value.

5.5 Commitments

Expenditure commitments

	2018 $'000	2017 $'000
Capital expenditure commitments		
Contractual commitments for building works at aged care facilities	471	154,684
Operating lease expenditure commitments		
Minimum lease payments		
• Not later than one year	864	849
• later than one year and not later than five years	4,509	3,231
• later than five years	-	966
Aggregate lease expenditure contracted for at reporting date	**5,373**	**5,046**

Capital expenditure commitments

Contractual commitments at year end relate to ongoing development activity.

Lease expenditure commitments

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Operating leases have an average lease term of 7 years. Assets that are the subject of operating leases are office premises.

5.6 Contingencies

	2018 $'000	2017 $'000
Bank guarantees	6,250	7,390

Legal claims and disputes

Management are not aware of any other legal claims or disputes at the date of this report.

5.7 Equity

5.7.1 Issued Capital

Movements in ordinary shares on issue are as follows:

	GRANT DATE FAIR VALUE	DATE	NUMBER OF SHARES	$'000
Balance		1 July 2016	300,345,797	272,171
Share issue performance rights	5.08	15 September 2016	12,669	50
Balance		**30 June 2017**	**300,358,466**	**272,221**
Share issue performance rights	3.66	8 September 2017	94,449	317
Share issue performance rights	4.82	8 September 2017	12,669	42
Share issue performance rights	3.79	8 September 2017	33,784	113
Share issue performance rights	3.66	18 December 2017	35,151	129
Balance		**30 June 2018**	**300,534,519**	**272,822**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction cost arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

The only class of issued capital held are ordinary shares, which entitles the holders to the following entitlements:

- participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.
- one vote, either in person or by proxy, at a meeting of the Company.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

5.7.2 Reserves

	NOTES	CASH FLOW HEDGE RESERVE (i) $'000	ACQUISITION RESERVE (ii) $'000	REMUNERATION RESERVE (iii) $'000	TOTAL $'000
Year ended 30 June 2018					
Opening balance at 1 July 2017		126	(101,497)	4,471	(96,900)
Net gain / (loss) on cash flow hedge		(23)	-	-	(23)
Equity settled share based payments expense		-	-	633	633
Transfers from remuneration reserve		-	-	(601)	(601)
Closing Balance at 30 June 2018		**103**	**(101,497)**	**4,503**	**(96,891)**
Year ended 30 June 2017					
Opening balance at 1 July 2016		(210)	(101,497)	4,185	(97,522)
Net gain / (loss) on cash flow hedge		336	-	-	336
Equity settled share based payments expense		-	-	336	336
Transfers from remuneration reserve		-	-	(50)	(50)
Closing Balance at 30 June 2017		**126**	**(101,497)**	**4,471**	**(96,900)**

(i) The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship. Refer Note 5.1 for further information in relation to cash flow hedges.
(ii) The reserve is used to accumulate the difference on the cost of shares issued by the Company and share buy backs. The balance at the beginning of the prior financial year represents the difference that arose because of the 2008 reverse acquisition, valuing the net assets at the fair value on the day of transaction versus the cost of the shares as agreed per the shareholder agreement.
(iii) The employee remuneration reserve comprises the fair value of share based payment plans recognised as an expense in profit or loss. See Note 5.9 for further details of these plans.

5.8 Dividends

	2018 $'000	2017 $'000
Dividends on ordinary shares paid or provided for		
Final 2017 Dividend: 10.04 cents per share, 100% franked (2016: 5.94 cents per share, 100% franked)	30,156	17,841
Interim 2018 Dividend: 9.28 cents per share, 100% franked (2017: 10.3 cents per share, 100% franked)	27,890	30,936
Total Dividends	**58,046**	**48,777**
Proposed dividends on ordinary shares (unrecognised)		
Final 2018 Dividend: 8.65 cents per share, 100% franked (2017: 10.04 cents per share, 100% franked)	25,994	30,169
Franking account balance		
The amount of franking credits available for the subsequent financial period are:		
(a) Franking account balance as at the end of the financial year at 30%	9,949	9,152
(b) Franking credits that will arise from the payment/(refund) of the amount of the provision for income tax	(4,646)	2,895
Total Franking account balance	**5,303**	**12,047**

The Group recognises a liability to make cash or non-cash distributions to equity holders of the parent when the distribution is authorised and the distribution is no longer at the discretion of the Group. A corresponding entry is recognised directly in equity.

5.9 Share-based Payment Plans

	2018 $'000	2017 $'000
Expense arising from equity settled share based payments expense	633	336
Total share-based payments	**633**	**336**

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using a Monte Carlo simulation. That cost is recognised, together with a corresponding increase in remuneration reserves in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The movement in cumulative expense is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

5.9 Share Based Payment Plans (continued)

Movements in share-based payment equity instruments

The number and weighted average exercise price for each equity-settled share-based payment scheme outstanding is as follows. All schemes are settled by physical delivery of shares:

	POST-LISTING LTI		POST-LISTING STI	
	NUMBER	WAEP (i)	NUMBER	WAEP (i)
Outstanding at 1 July 2017	367,092	$0.00	80,237	$0.00
Granted during the year	35,151	$0.00	31,011	$0.00
Exercised during the year	(94,449)	$3.35	(46,453)	$3.35
Exercised during the year	(35,151)	$3.77	-	-
Forfeited during the year	-	$0.00	-	-
Lapsed during the year	-	$0.00	-	-
Outstanding at 30 June 2018	**272,643**	**$0.00**	**64,795**	**$0.00**

(i) WAEP = Weighted Average Exercise Price

Valuation assumptions and fair value of equity instruments granted

The model inputs for performance rights granted during the year ended 30 June 2018 was as follows:

	POST-LISTING STI (12 MONTHS)	POST-LISTING STI (24 MONTHS)
Grant Date	20/09/2017	20/09/2017
Vesting Date	20/09/2018	20/09/2019
Fair Value	$3.20	$3.01
Grant Date Share Price	$4.04	$4.04
Exercise Price	Nil	Nil
Life Assumption (Years)	1.0	2.0
Expected Dividend Yield	4.4%	4.4%

The model inputs for performance rights granted during the year ended 30 June 2017 was as follows:

	POST-LISTING STI (12 MONTHS)	POST-LISTING STI (24 MONTHS)	POST-LISTING LTI
Grant Date	12/09/2016	12/09/2016	03/10/2016
Vesting Date	12/09/2017	12/09/2018	30/06/2019
Fair Value	$3.79	$3.56	$3.81
Grant Date Share Price	$4.04	$4.04	$4.46
Exercise Price	Nil	Nil	Nil
Life Assumption (Years)	1.0	2.0	2.6
Expected Dividend Yield	4.8%	4.8%	4.8%

A description of key terms of share based payments is disclosed in the Remuneration Report.

SECTION 6: OTHER ITEMS

6.1 Subsidiaries

The consolidated financial statements include Regis Healthcare Limited (ultimate parent entity, otherwise known as the Parent Entity) and the following significant wholly owned subsidiaries. The subsidiaries are engaged in the principal activity of owning and operating residential aged care facilities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. Control exists where the Company has the power to govern the financial and operating policies of the entity in order to obtain benefits from its activities.

		EQUITY INTEREST	
	COUNTRY OF	2018	2017
	INCORPORATION	%	%
Regis Aged Care Pty Ltd	Australia	100	100
Paragon Group Investments Pty Ltd	Australia	100	100
Regis Group Proprietary Ltd	Australia	100	100
Regis Allora Pty Ltd ATF Allora Lodge Unit Trust	Australia	100	100
Regis Caboolture Pty Ltd	Australia	100	100
Regis Gatton Pty Ltd	Australia	100	100
Regis Grange - Wellington Point Pty Ltd	Australia	100	100
Regis Group Properties Pty Ltd	Australia	100	100
Regis Ferny Grove Pty Ltd	Australia	100	100
Regis Investments Pty Ltd ATF Regis Investments Trust	Australia	100	100
Regis Lakeside Pty Ltd	Australia	100	100
Regis Management Pty Ltd	Australia	100	100
Regis Salisbury Pty Ltd	Australia	100	100
Regis Shelf Pty Ltd	Australia	100	100
Retirement Properties of Australia Proprietary Limited	Australia	100	100
Allora Drive Pty Ltd Allora Drive Unit Trust	Australia	100	100
Clover Brae Pty Ltd ATF Clover Brae Unit Trust	Australia	100	100
Clover Side Pty Ltd ATF Clover Side Unit Trust	Australia	100	100
Dawson Drive Pty Ltd ATF Dawson Drive Unit Trust	Australia	100	100
Lakeside Way Pty Ltd ATF Lakeside Way Unit Trust	Australia	100	100
Lillian Avenue Ltd ATF Lillian Avenue Trust	Australia	100	100
MacGregor Drive Pty Ltd ATF MacGregor Unit Trust	Australia	100	100
Mewetts Road Pty Ltd ATF Mewetts Road Unit Trust	Australia	100	100
Carers Connect Pty Ltd	Australia	100	100
Settlement Road Pty Ltd ATF Settlement Road Unit Trust	Australia	100	100
Retirement Care Australia Holdings Pty Ltd	Australia	100	100
Retirement Care Australia (Hollywood) Pty Ltd	Australia	100	100
Retirement Care Australia Operations (2) Pty Ltd	Australia	100	100
Retirement Care Australia (Logan) Pty Ltd	Australia	100	100
RAC Fiduciary Pty Ltd	Australia	100	100

A deed of cross guarantee exists between Regis Aged Care Pty Limited (a subsidiary of Regis Healthcare Limited) and certain other subsidiaries. Regis Healthcare Limited is not a party to this deed and therefore the disclosure requirements of the deed are not applicable to these financial statements.

6.2 Related Party Disclosures

(a) Subsidiaries

The consolidated financial statement includes the financial statements of Regis Healthcare Limited and the subsidiaries as listed in section 6.1 of the financial statements.

(b) Ultimate parent

Regis Healthcare Limited is the ultimate parent entity.

(c) Transactions with key management personnel

During FY18 there were no material transactions between the Group and any key management personnel.

(d) Key management personnel

Compensation of Key Management Personnel of the Group

	2018 $	2017 $
Short-term employee benefits	2,869,050	2,143,795
Post-employment benefits	151,357	132,310
Long-term benefits	39,429	100,967
Share-based payment	119,585	39,561
Total compensation of key management personnel	**3,179,421**	**2,416,633**

Comparative amounts are revised, if required, based on latest information and to conform with current year presentation. Total FY17 compensation of $2,416,633 dislcosed in the above table is less than the corresponding amount disclosed in Note 6.2 of the Group's financial report for the year ended 30 June 2017 of $4,494,146 as the table above does not include $2,077,513 of compensation in respect of individuals no longer classified as Key Management Personnel effective 1 July 2017.

6.3 Events after the Balance Sheet Date

No matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

6.4 Auditor's Remuneration

	2018 $'000	2017 $'000
Amounts received or due and receivable by Ernst & Young for:		
• Audit or review of the financial report	677	545
• Other services		
- Tax compliance	251	148
- Other services	-	148
Total auditor's remuneration	**928**	**841**

6.5 Treatment of GST

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the Consolidated Statement of Financial Position.

6.6 New and Revised Accounting Standards

(a) New and revised standards and interpretations not yet adopted by the Group

The following new accounting standards have been issued but are not yet effective at balance date:

Reference and title	Application date of standard	Application date for Group
AASB 9 Financial Instruments	1 January 2018	1 July 2018
AASB 15 Revenue from contracts with customers	1 January 2018	1 July 2018
AASB 16 Leases	1 January 2019	1 July 2019

During FY17, the Group commenced a project to review the components of its aged care, retirement living and home care arrangements to identify accounting matters requiring further consideration in light of the requirements of these new standards. Further activities have been undertaken during FY18, including a detailed review of contractual arrangements and comparing the requirements of the new standards to the Group's existing policies and practices to identify potential differences.

Further information on the status of these activities is provided below.

AASB 9 *Financial Instruments*

This standard modifies the classification and measurement of financial assets. It includes:

- A single, principle-based approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held
- A new expected credit loss impairment model requiring expected losses to be recognised when financial assets are first recognised;
- A modification of hedge accounting to align the accounting treatment with risk management practices of an entity.

The Group has reviewed its financial assets and financial liabilities and does not currently expect the impact of AASB 9 to be significant. Accordingly, adjustments to retained earnings have not been disclosed.

The Group will apply the new rules retrospectively.

AASB 15 Revenue from contract with customers

The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

Work has focused on identifying the components of the Group's contractual arrangements that are applicable to AASB 15 and understanding the nature of those arrangements, in particular, key terms and conditions that may impact revenue recognition.

The Group has assessed the effects of applying the new standard and does not currently expect that there will be any significant changes in revenue recognition as the Group's revenue streams are generally for daily services and there is no significant judgement to be applied when considering the time pattern of revenue recognition.

Adjustments to retained earnings have not been disclosed as they are not significant.

The Group will apply the new rules retrospectively.

AASB 16 Leases

AASB 16 sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. AASB 16 applies a control model for the identification of leases, distinguishing between leases and service contracts on the basis of whether there is an identified asset controlled by the customer. The standard requires lessees to account for leases under an on-balance sheet model with the distinction between operating and finance leases being removed. Lessors continue to classify leases and account for them as operating or finance leases.

6.6 New and Revised Accounting Standards (continued)

New and revised standards and interpretations not yet adopted by the Group (continued)

Work to date has focused on identifying the components of the Group's contractual arrangements that are applicable to AASB 16 and identifying the key characteristics of those arrangements to quantify whether any changes to the Group's existing accounting policies and processes are required. Further consideration of whether a lease arrangement exists in relation to the provision of aged care and retirement living accommodation where a resident has paid a RAD/accommodation bond or entry contribution is required.

While work has continued during FY18 to progress the Group's assessment of the potential impact of AASB 16, at this stage, management cannot reasonably estimate and quantify the impact.

The transition approach to be applied on adoption of AASB 16 has not yet been determined as it is dependant on the Group finalising its assessment of the standard.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Regis Healthcare Limited, I state that:

1. In the opinion of the directors:

   (a) the financial statements and notes of Regis Healthcare Limited are in accordance with the *Corporations Act 2001*, including:

      (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

      (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

   (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.4; and

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2018.

On behalf of the Board

Graham Hodges
Chairman
Melbourne, 31 August 2018

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Independent Auditor's Report to the Members of Regis Healthcare Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Regis Healthcare Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Capitalisation of costs

Why significant	How our audit addressed the key audit matter
At 30 June 2018, capitalised costs (work in progress) amounted to $183.6 million. These primarily relate to refurbishment of existing aged care facilities and development of new aged care facility sites. The specific criteria that have to be met for capitalisation of development costs in accordance with Australian Accounting Standards involves judgement, including the feasibility of the project, intention and ability to complete the construction, ability to use or sell the assets, generation of future economic benefits and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of assets requires judgment and the use of assumptions which are affected by future market conditions or economic developments. This was considered a key audit matter given the quantum of the balance and judgment required about capitalisation criteria and indicators of impairment.	Our audit procedures included the following: • Evaluated the effectiveness of controls relevant to the processing of capitalised costs. • Selected a sample of amounts capitalised and agreed details to supporting documentation, and assessed whether the amounts capitalised met the development cost capitalisation criteria. • Evaluated key assumptions used and estimates made for amounts capitalised, including the feasibility of the project, authorisation of the stage of the projects in the development phase and the measurement and completeness of costs included. • Considered whether there were any indicators of impairment through examining the business case documentation of development projects, enquiries of executives responsible for management of the projects and considering the cost of development to forecasts.

Building a better working world

Valuation of intangible assets, including goodwill

Why significant	How our audit addressed the key audit matter
At 30 June 2018, the recorded amount of goodwill and other intangible assets with indefinite useful lives was $478 million. Other intangible assets with indefinite useful lives of $218 million relate to operational places for aged care facilities. The Group performs an annual impairment test of the carrying amounts of goodwill and other intangible assets. Assets are grouped at the lowest levels for which goodwill and operational places are monitored for internal management purposes and allocated to cash generating units (CGUs). Items that are subject to judgment, which were key areas of focus for the audit include: • Future cash flow assumptions. • Changes in working capital including Refundable Accommodation Deposits ('RADs'). • Discount rate and long term growth assumptions. • Appropriateness of sensitivities applied to the impairment test. We considered this a key audit matter given the significance of the balances and the assessment process being complex and requiring significant judgment. Goodwill and other intangible assets disclosure is included in Note 3.3 to the financial report.	We examined the Group's forecast cash flows used in the impairment models, upon which the Group's impairment assessment was based. We assessed the basis of preparing those forecasts taking into account the accuracy of the Group's previous forecasts and the historic evidence supporting underlying assumptions. In relation to the future cash flow assumptions, we: • performed a comparison to the Group's current trading performance; and • evaluated the Group's supporting evidence and obtained external evidence such as valuation multiples for comparable companies and external market data to corroborate the Group's assumptions. The appropriateness of other key assumptions such as the discount rate and long term growth rate, were evaluated by considering external market indicators. We involved our valuation specialists in performing these procedures. We tested the mathematical accuracy of the impairment models and evaluated the Group's sensitivity calculations, including evaluating the Group's assessment of whether any reasonably possible change in these key assumptions would result in an impairment to goodwill or indefinite life intangible assets. We assessed the adequacy of the goodwill and intangible assets disclosure made in Note 3.3 including key assumptions used.

Information Other than the Financial Report and Auditor’s Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2018 Annual Report other than the financial report and our auditor’s report thereon. We obtained the Directors’ Report that is to be included in the Annual Report, prior to the date of this auditor’s report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor’s report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 27 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Regis Healthcare Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Glenn Carmody
Partner
Melbourne
31 August 2018